



HEALTH ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2008
OF THE CONDITION AND AFFAIRS OF THE

Great Lakes Health Plan, Inc.

| | | | | | | | | | |
|---------------------------------------|---|------------------|-----------------------|------|---|-------------------|-------|----------------------|------------|
| NAIC Group Code | 0707 | (Current Period) | , | 0707 | (Prior Period) | NAIC Company Code | 95467 | Employer's ID Number | 38-3204052 |
| Organized under the Laws of | Michigan | | | | State of Domicile or Port of Entry | Michigan | | | |
| Country of Domicile | United States | | | | | | | | |
| Licensed as business type: | Life, Accident & Health [] | | Property/Casualty [] | | Dental Service Corporation [] | | | | |
| | Vision Service Corporation [] | | Other [] | | Health Maintenance Organization [X] | | | | |
| | Hospital, Medical & Dental Service or Indemnity [] | | | | Is HMO, Federally Qualified? Yes [] No [X] | | | | |
| Incorporated/Organized | 01/11/1994 | | | | Commenced Business | 10/11/1994 | | | |
| Statutory Home Office | 17117 W. Nine Mile Rd., Suite 1600 | | | | Southfield, MI 48075 | | | | |
| | (Street and Number) | | | | (City or Town, State and Zip Code) | | | | |
| Main Administrative Office | 17117 W. Nine Mile Rd, Suite 1600 | | | | | | | | |
| | Southfield, MI 48075 | | | | 248-559-5656 | | | | |
| | (City or Town, State and Zip Code) | | | | (Area Code) (Telephone Number) | | | | |
| Mail Address | 17117 W. Nine Mile Rd., Suite 1600 | | | | Southfield, MI 48075 | | | | |
| | (Street and Number or P.O. Box) | | | | (City or Town, State and Zip Code) | | | | |
| Primary Location of Books and Records | 17117 W. Nine Mile Rd, Suite 1600 | | | | | | | | |
| | Southfield, MI 48075 | | | | 248-331-4284 | | | | |
| | (City or Town, State and Zip Code) | | | | (Area Code) (Telephone Number) | | | | |
| Internet Website Address | www.glhp.com | | | | | | | | |
| Statutory Statement Contact | Chris A. Scherer | | | | 248-331-4284 | | | | |
| | (Name) | | | | (Area Code) (Telephone Number) (Extension) | | | | |
| | cscherer@glhp.com | | | | 248-556-4640 | | | | |
| | (E-mail Address) | | | | (FAX Number) | | | | |

OFFICERS

| Name | Title | Name | Title |
|----------------------|-----------|-------------|-----------|
| Chris A. Scherer | President | Eric Wexler | Secretary |
| Robert W. Oberrender | Treasurer | | |

OTHER OFFICERS

| | | | |
|----------------------|-----------------------|-----------------|-------------------------|
| Dawn Koehler | VP Government Affairs | Lisa Ann Gray | Chief Operating Officer |
| Kara Jean Rios # | VP Finance | Rachel Godwin # | VP Health Services |
| John William Kelly # | VP Tax Services | | |

DIRECTORS OR TRUSTEES

| | | | |
|---------------------------|--------------------|--------------------|-------------------|
| Rodney C. Armstead M.D. # | Chris A. Scherer # | William E. Ralston | Laura A. Spicer # |
| John J. Kaelin # | | | |

State of

ss

County of

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Chris A. Scherer
President

Eric Wexler
Secretary

Robert W. Oberrender
Treasurer

Subscribed and sworn to before me this
day of ,

- a. Is this an original filing? Yes [X] No []
b. If no,
1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____

ASSETS

| | Current Year | | | Prior Year |
|--|--------------|--------------------|--------------------------------------|------------------------|
| | 1 | 2 | 3 | 4 |
| | Assets | Nonadmitted Assets | Net Admitted Assets (Cols. 1 - 2) | Net Admitted Assets |
| 1. Bonds (Schedule D)..... | 33,710,244 | | 33,710,244 | 44,031,294 |
| 2. Stocks (Schedule D): | | | | |
| 2.1 Preferred stocks | 0 | | 0 | 0 |
| 2.2 Common stocks | 0 | | 0 | 0 |
| 3. Mortgage loans on real estate (Schedule B): | | | | |
| 3.1 First liens | | | 0 | 0 |
| 3.2 Other than first liens | | | 0 | 0 |
| 4. Real estate (Schedule A): | | | | |
| 4.1 Properties occupied by the company (less \$ encumbrances)..... | | | 0 | 0 |
| 4.2 Properties held for the production of income (less \$ encumbrances) | | | 0 | 0 |
| 4.3 Properties held for sale (less \$ encumbrances) | | | 0 | 0 |
| 5. Cash (\$(3,096,622) , Schedule E, Part 1), cash equivalents (\$0 , Schedule E, Part 2) and short-term investments (\$62,505,571 , Schedule DA)..... | 59,408,949 | | 59,408,949 | 36,372,826 |
| 6. Contract loans, (including \$premium notes) | | | 0 | 0 |
| 7. Other invested assets (Schedule BA) | 0 | 0 | 0 | 0 |
| 8. Receivables for securities | | | 0 | 0 |
| 9. Aggregate write-ins for invested assets | 0 | 0 | 0 | 0 |
| 10. Subtotals, cash and invested assets (Lines 1 to 9) | 93,119,193 | 0 | 93,119,193 | 80,404,120 |
| 11. Title plants less \$charged off (for Title Insurers only) | | | 0 | 0 |
| 12. Investment income due and accrued | 418,716 | | 418,716 | 506,266 |
| 13. Premiums and considerations: | | | | |
| 13.1 Uncollected premiums and agents' balances in the course of collection | | | 0 | 0 |
| 13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$earned but unbilled premium)..... | | | 0 | 0 |
| 13.3 Accrued retrospective premium..... | | | 0 | 0 |
| 14. Reinsurance: | | | | |
| 14.1 Amounts recoverable from reinsurers | 1,617,953 | | 1,617,953 | 0 |
| 14.2 Funds held by or deposited with reinsured companies | | | 0 | 0 |
| 14.3 Other amounts receivable under reinsurance contracts | | | 0 | 0 |
| 15. Amounts receivable relating to uninsured plans | | | 0 | 0 |
| 16.1 Current federal and foreign income tax recoverable and interest thereon | | | 0 | 0 |
| 16.2 Net deferred tax asset..... | 2,124,137 | 1,671,828 | 452,309 | 421,474 |
| 17. Guaranty funds receivable or on deposit | | | 0 | 0 |
| 18. Electronic data processing equipment and software | | | 0 | 0 |
| 19. Furniture and equipment, including health care delivery assets (\$) | 19,415 | 19,415 | 0 | 0 |
| 20. Net adjustment in assets and liabilities due to foreign exchange rates | | | 0 | 0 |
| 21. Receivables from parent, subsidiaries and affiliates | | | 0 | 0 |
| 22. Health care (\$2,254,082) and other amounts receivable..... | 2,673,996 | 419,914 | 2,254,082 | 3,369,634 |
| 23. Aggregate write-ins for other than invested assets | 6,363,976 | 6,363,976 | 0 | 0 |
| 24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)..... | 106,337,386 | 8,475,133 | 97,862,253 | 84,701,494 |
| 25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | | | 0 | 0 |
| 26. Total (Lines 24 and 25) | 106,337,386 | 8,475,133 | 97,862,253 | 84,701,494 |
| DETAILS OF WRITE-INS | | | | |
| 0901. | | | | |
| 0902. | | | | |
| 0903. | | | | |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | 0 | 0 | 0 | 0 |
| 0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above) | 0 | 0 | 0 | 0 |
| 2301. Intangible Asset..... | 6,363,976 | 6,363,976 | 0 | 0 |
| 2302. | | | | |
| 2303. | | | | |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | 0 | 0 | 0 | 0 |
| 2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above) | 6,363,976 | 6,363,976 | 0 | 0 |

LIABILITIES, CAPITAL AND SURPLUS

| | Current Year | | | Prior Year |
|--|--------------|----------------|------------|------------|
| | 1 Covered | 2 Uncovered | 3 Total | 4 Total |
| 1. Claims unpaid (less \$0 reinsurance ceded) | 42,314,983 | | 42,314,983 | 38,672,401 |
| 2. Accrued medical incentive pool and bonus amounts | 856,501 | | 856,501 | 0 |
| 3. Unpaid claims adjustment expenses | 1,003,710 | | 1,003,710 | 895,247 |
| 4. Aggregate health policy reserves | | | 0 | 0 |
| 5. Aggregate life policy reserves | | | 0 | 0 |
| 6. Property/casualty unearned premium reserves | | | 0 | 0 |
| 7. Aggregate health claim reserves | | | 0 | 0 |
| 8. Premiums received in advance | | | 0 | 0 |
| 9. General expenses due or accrued | 2,724,713 | | 2,724,713 | 1,354,931 |
| 10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses)) | 143,101 | | 143,101 | 887,876 |
| 10.2 Net deferred tax liability | | | 0 | 0 |
| 11. Ceded reinsurance premiums payable | | | 0 | 0 |
| 12. Amounts withheld or retained for the account of others | | | 0 | 0 |
| 13. Remittance and items not allocated | | | 0 | 0 |
| 14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current) | | | 0 | 0 |
| 15. Amounts due to parent, subsidiaries and affiliates | 114,250 | | 114,250 | 258,892 |
| 16. Payable for securities | | | 0 | 0 |
| 17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers) | | | 0 | 0 |
| 18. Reinsurance in unauthorized companies | | | 0 | 0 |
| 19. Net adjustments in assets and liabilities due to foreign exchange rates | | | 0 | 0 |
| 20. Liability for amounts held under uninsured plans | | | 0 | 0 |
| 21. Aggregate write-ins for other liabilities (including \$ current) | 766,458 | 0 | 766,458 | 653,921 |
| 22. Total liabilities (Lines 1 to 21) | 47,923,716 | 0 | 47,923,716 | 42,723,268 |
| 23. Aggregate write-ins for special surplus funds | XXX | XXX | 0 | 0 |
| 24. Common capital stock | XXX | XXX | | 0 |
| 25. Preferred capital stock | XXX | XXX | | 0 |
| 26. Gross paid in and contributed surplus | XXX | XXX | 22,003,392 | 35,763,489 |
| 27. Surplus notes | XXX | XXX | | 0 |
| 28. Aggregate write-ins for other than special surplus funds | XXX | XXX | 0 | 0 |
| 29. Unassigned funds (surplus) | XXX | XXX | 27,935,145 | 6,214,737 |
| 30. Less treasury stock, at cost: | | | | |
| 30.1 shares common (value included in Line 24 \$) | XXX | XXX | | 0 |
| 30.2 shares preferred (value included in Line 25 \$) | XXX | XXX | | 0 |
| 31. Total capital and surplus (Lines 23 to 29 minus Line 30) | XXX | XXX | 49,938,537 | 41,978,226 |
| 32. Total liabilities, capital and surplus (Lines 22 and 31) | XXX | XXX | 97,862,253 | 84,701,494 |
| DETAILS OF WRITE-INS | | | | |
| 2101. Escheat Funds | 59,083 | | 59,083 | 162,643 |
| 2102. QAAP Tax | 707,375 | | 707,375 | 491,278 |
| 2103. | | | | |
| 2198. Summary of remaining write-ins for Line 21 from overflow page | 0 | 0 | 0 | 0 |
| 2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above) | 766,458 | 0 | 766,458 | 653,921 |
| 2301. | XXX | XXX | | |
| 2302. | XXX | XXX | | |
| 2303. | XXX | XXX | | |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | XXX | XXX | 0 | 0 |
| 2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above) | XXX | XXX | 0 | 0 |
| 2801. | XXX | XXX | | |
| 2802. | XXX | XXX | | |
| 2803. | XXX | XXX | | |
| 2898. Summary of remaining write-ins for Line 28 from overflow page | XXX | XXX | 0 | 0 |
| 2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above) | XXX | XXX | 0 | 0 |

During the OFIR 2007 audit, it was determined the bonus accrued payments should be booked as accrued medical incentive pool and bonus amounts. Therefore, this change is now reflected separately on line 2 and is not included on line 1 of claims unpaid.

STATEMENT OF REVENUE AND EXPENSES

| | Current Year | | Prior Year |
|---|----------------|--------------|--------------|
| | 1 Uncovered | 2 Total | 3 Total |
| 1. Member Months..... | XXX | 2,031,538 | 1,852,913 |
| 2. Net premium income (including \$0 non-health premium income)..... | XXX | 540,233,464 | 440,431,912 |
| 3. Change in unearned premium reserves and reserve for rate credits | XXX | | 0 |
| 4. Fee-for-service (net of \$ medical expenses) | XXX | | 0 |
| 5. Risk revenue | XXX | | 0 |
| 6. Aggregate write-ins for other health care related revenues | XXX | (29,671,464) | (26,466,900) |
| 7. Aggregate write-ins for other non-health revenues | XXX | 0 | 0 |
| 8. Total revenues (Lines 2 to 7) | XXX | 510,562,000 | 413,965,012 |
| Hospital and Medical: | | | |
| 9. Hospital/medical benefits | | 358,133,266 | 285,052,898 |
| 10. Other professional services | | 14,449,603 | 11,586,226 |
| 11. Outside referrals | | | 0 |
| 12. Emergency room and out-of-area | | 20,065,561 | 17,137,738 |
| 13. Prescription drugs | | 57,866,144 | 53,948,795 |
| 14. Aggregate write-ins for other hospital and medical..... | 0 | 0 | 0 |
| 15. Incentive pool, withhold adjustments and bonus amounts..... | | 856,501 | 0 |
| 16. Subtotal (Lines 9 to 15) | 0 | 451,371,075 | 367,725,656 |
| Less: | | | |
| 17. Net reinsurance recoveries | | 2,364,370 | 444,527 |
| 18. Total hospital and medical (Lines 16 minus 17) | 0 | 449,006,705 | 367,281,129 |
| 19. Non-health claims (net)..... | | | 0 |
| 20. Claims adjustment expenses, including \$5,011,156 cost containment expenses..... | | 6,467,793 | 5,927,861 |
| 21. General administrative expenses..... | | 48,700,511 | 35,408,122 |
| 22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)..... | | 0 | 0 |
| 23. Total underwriting deductions (Lines 18 through 22) | 0 | 504,175,009 | 408,617,112 |
| 24. Net underwriting gain or (loss) (Lines 8 minus 23) | XXX | 6,386,991 | 5,347,900 |
| 25. Net investment income earned (Exhibit of Net Investment Income, Line 17)..... | | 3,002,118 | 3,637,611 |
| 26. Net realized capital gains (losses) less capital gains tax of \$64,275 | 0 | (73,910) | 7 |
| 27. Net investment gains (losses) (Lines 25 plus 26) | 0 | 2,928,208 | 3,637,618 |
| 28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)] | | | 0 |
| 29. Aggregate write-ins for other income or expenses | 0 | 0 | 0 |
| 30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)..... | XXX | 9,315,199 | 8,985,518 |
| 31. Federal and foreign income taxes incurred | XXX | 3,574,272 | 2,035,542 |
| 32. Net income (loss) (Lines 30 minus 31) | XXX | 5,740,927 | 6,949,976 |
| DETAILS OF WRITE-INS | | | |
| 0601. QAAP tax..... | XXX | (29,671,464) | (26,466,900) |
| 0602. | XXX | | |
| 0603. | XXX | | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page | XXX | 0 | 0 |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) | XXX | (29,671,464) | (26,466,900) |
| 0701. | XXX | | |
| 0702. | XXX | | |
| 0703. | XXX | | |
| 0798. Summary of remaining write-ins for Line 7 from overflow page | XXX | 0 | 0 |
| 0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above) | XXX | 0 | 0 |
| 1401. | | | |
| 1402. | | | |
| 1403. | | | |
| 1498. Summary of remaining write-ins for Line 14 from overflow page | 0 | 0 | 0 |
| 1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) | 0 | 0 | 0 |
| 2901. | | | |
| 2902. | | | |
| 2903. | | | |
| 2998. Summary of remaining write-ins for Line 29 from overflow page | 0 | 0 | 0 |
| 2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) | 0 | 0 | 0 |

STATEMENT OF REVENUE AND EXPENSES (continued)

| | 1 Current Year | 2 Prior Year |
|--|-------------------|-----------------|
| CAPITAL AND SURPLUS ACCOUNT: | | |
| 33. Capital and surplus prior-reporting period | 41,978,226 | 35,375,558 |
| 34. Net income or (loss) from Line 32 | 5,740,927 | 6,949,976 |
| 35. Change in valuation basis of aggregate policy and claim reserves | | 0 |
| 36. Change in net unrealized capital gains (losses) less capital gains tax of \$ | | 0 |
| 37. Change in net unrealized foreign exchange capital gain or (loss) | | 0 |
| 38. Change in net deferred income tax | (110,250) | 43,960 |
| 39. Change in nonadmitted assets | 2,341,053 | 1,336,400 |
| 40. Change in unauthorized reinsurance | 0 | 0 |
| 41. Change in treasury stock | 0 | 0 |
| 42. Change in surplus notes | 0 | 0 |
| 43. Cumulative effect of changes in accounting principles | | (1,727,668) |
| 44. Capital Changes: | | |
| 44.1 Paid in | (10,680,494) | 0 |
| 44.2 Transferred from surplus (Stock Dividend) | | 0 |
| 44.3 Transferred to surplus | | 0 |
| 45. Surplus adjustments: | | |
| 45.1 Paid in | 0 | 0 |
| 45.2 Transferred to capital (Stock Dividend) | 0 | 0 |
| 45.3 Transferred from capital | | 0 |
| 46. Dividends to stockholders | | 0 |
| 47. Aggregate write-ins for gains or (losses) in surplus | 10,669,077 | 0 |
| 48. Net change in capital & surplus (Lines 34 to 47) | 7,960,313 | 6,602,668 |
| 49. Capital and surplus end of reporting period (Line 33 plus 48) | 49,938,538 | 41,978,226 |
| DETAILS OF WRITE-INS | | |
| 4701. Change in Tax Provision from prior year..... | (11,417) | 0 |
| 4702. To correct additional paid in capital balance..... | 10,680,494 | 0 |
| 4703. | | |
| 4798. Summary of remaining write-ins for Line 47 from overflow page | 0 | 0 |
| 4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above) | 10,669,077 | 0 |

CASH FLOW

| | 1 Current Year | 2 Prior Year |
|--|-------------------|-----------------|
| Cash from Operations | | |
| 1. Premiums collected net of reinsurance..... | 510,038,019 | 412,755,295 |
| 2. Net investment income..... | 3,197,892 | 3,268,317 |
| 3. Miscellaneous income..... | 0 | 0 |
| 4. Total (Lines 1 through 3)..... | 513,235,911 | 416,023,612 |
| 5. Benefit and loss related payments..... | 444,507,624 | 355,190,655 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | | 0 |
| 7. Commissions, expenses paid and aggregate write-ins for deductions..... | 51,355,975 | 44,153,119 |
| 8. Dividends paid to policyholders..... | | 0 |
| 9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)..... | 4,330,464 | 1,455,382 |
| 10. Total (Lines 5 through 9)..... | 500,194,063 | 400,799,156 |
| 11. Net cash from operations (Line 4 minus Line 10)..... | 13,041,848 | 15,224,456 |
| Cash from Investments | | |
| 12. Proceeds from investments sold, matured or repaid: | | |
| 12.1 Bonds..... | 14,076,218 | 555,652 |
| 12.2 Stocks..... | 0 | 0 |
| 12.3 Mortgage loans..... | 0 | 0 |
| 12.4 Real estate..... | 0 | 0 |
| 12.5 Other invested assets..... | 0 | 0 |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments..... | 0 | (7) |
| 12.7 Miscellaneous proceeds..... | 0 | 14 |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7)..... | 14,076,218 | 555,659 |
| 13. Cost of investments acquired (long-term only): | | |
| 13.1 Bonds..... | 3,937,301 | 43,679,916 |
| 13.2 Stocks..... | 0 | 0 |
| 13.3 Mortgage loans..... | 0 | 0 |
| 13.4 Real estate..... | 0 | 0 |
| 13.5 Other invested assets..... | 0 | 0 |
| 13.6 Miscellaneous applications..... | 0 | 0 |
| 13.7 Total investments acquired (Lines 13.1 to 13.6)..... | 3,937,301 | 43,679,916 |
| 14. Net increase (decrease) in contract loans and premium notes..... | 0 | 0 |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)..... | 10,138,917 | (43,124,257) |
| Cash from Financing and Miscellaneous Sources | | |
| 16. Cash provided (applied): | | |
| 16.1 Surplus notes, capital notes..... | 0 | 0 |
| 16.2 Capital and paid in surplus, less treasury stock..... | 0 | 0 |
| 16.3 Borrowed funds..... | 0 | 0 |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities..... | | 0 |
| 16.5 Dividends to stockholders..... | 0 | 0 |
| 16.6 Other cash provided (applied)..... | (144,642) | (2,984,145) |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)..... | (144,642) | (2,984,145) |
| RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS | | |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)..... | 23,036,123 | (30,883,946) |
| 19. Cash, cash equivalents and short-term investments: | | |
| 19.1 Beginning of year..... | 36,372,826 | 67,256,772 |
| 19.2 End of year (Line 18 plus Line 19.1)..... | 59,408,949 | 36,372,826 |

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Great Lakes Health Plan, Inc.

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|--|-------------|---|------------------------|----------------|----------------|--|----------------------------|--------------------------|--------------|---------------------|
| | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non-Health |
| 1. Net premium income | 510,561,999 | 0 | 0 | 0 | 0 | 0 | 2,068,667 | 508,493,332 | 0 | 0 |
| 2. Change in unearned premium reserves and reserve for rate credit | 0 | | | | | | | | | |
| 3. Fee-for-service (net of \$ medical expenses) | 0 | | | | | | | | | XXX |
| 4. Risk revenue..... | 0 | | | | | | 0 | 0 | 0 | XXX |
| 5. Aggregate write-ins for other health care related revenues..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 6. Aggregate write-ins for other non-health care related revenues..... | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 0 |
| 7. Total revenues (Lines 1 to 6)..... | 510,561,999 | 0 | 0 | 0 | 0 | 0 | 2,068,667 | 508,493,332 | 0 | 0 |
| 8. Hospital/medical/ benefits | 358,133,266 | | | | | | 1,006,534 | 357,126,732 | | XXX |
| 9. Other professional services | 14,449,603 | | | | | | | 14,449,603 | | XXX |
| 10. Outside referrals | 0 | | | | | | | | | XXX |
| 11. Emergency room and out-of-area | 20,065,561 | | | | | | | 20,065,561 | | XXX |
| 12. Prescription Drugs | 57,866,144 | | | | | | 22,115 | 57,844,029 | | XXX |
| 13. Aggregate write-ins for other hospital and medical..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 14. Incentive pool, withhold adjustments and bonus amounts..... | 856,501 | | | | | | | 856,501 | | XXX |
| 15. Subtotal (Lines 8 to 14) | 451,371,075 | 0 | 0 | 0 | 0 | 0 | 1,028,649 | 450,342,426 | 0 | XXX |
| 16. Net reinsurance recoveries | 2,364,370 | | | | | | | 2,364,370 | | XXX |
| 17. Total hospital and medical (Lines 15 minus 16) | 449,006,705 | 0 | 0 | 0 | 0 | 0 | 1,028,649 | 447,978,056 | 0 | XXX |
| 18. Non-health claims (net) | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 0 |
| 19. Claims adjustment expenses including \$ 5,011,156 cost containment expenses..... | 6,467,793 | | | | | | 24,706 | 6,443,087 | | |
| 20. General administrative expenses | 48,700,511 | | | | | | 186,031 | 48,514,480 | | |
| 21. Increase in reserves for accident and health contracts | 0 | | | | | | | | | XXX |
| 22. Increase in reserves for life contracts..... | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 23. Total underwriting deductions (Lines 17 to 22) | 504,175,009 | 0 | 0 | 0 | 0 | 0 | 1,239,386 | 502,935,623 | 0 | 0 |
| 24. Net underwriting gain or (loss) (Line 7 minus Line 23) | 6,386,990 | 0 | 0 | 0 | 0 | 0 | 829,281 | 5,557,709 | 0 | 0 |
| DETAILS OF WRITE-INS | | | | | | | | | | |
| 0501. | 0 | | | | | | | 0 | | XXX |
| 0502. | | | | | | | | | | XXX |
| 0503. | | | | | | | | | | XXX |
| 0598. Summary of remaining write-ins for Line 5 from overflow page..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 0601. | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 0602. | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 0603. | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page..... | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 0 |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 0 |
| 1301. | | | | | | | | | | XXX |
| 1302. | | | | | | | | | | XXX |
| 1303. | | | | | | | | | | XXX |
| 1398. Summary of remaining write-ins for Line 13 from overflow page | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |

Premium is shown net of QAAP in order to properly flow to the RBC Underwriting Risk page R012.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

| | 1 | 2 | 3 | 4 |
|---|-----------------|---------------------|-------------------|----------------------------------|
| Line of Business | Direct Business | Reinsurance Assumed | Reinsurance Ceded | Net Premium Income (Cols. 1+2-3) |
| 1. Comprehensive (hospital and medical) | | | | .0 |
| 2. Medicare Supplement | | | | .0 |
| 3. Dental Only..... | | | | .0 |
| 4. Vision Only..... | | | | .0 |
| 5. Federal Employees Health Benefits Plan | | | | .0 |
| 6. Title XVIII - Medicare | 2,068,667 | | | 2,068,667 |
| 7. Title XIX - Medicaid..... | 539,481,169 | | 1,316,372 | 538,164,797 |
| 8. Other health..... | | | | .0 |
| 9. Health subtotal (Lines 1 through 8) | 541,549,836 | 0 | 1,316,372 | 540,233,464 |
| 10. Life | | | | .0 |
| 11. Property/casualty..... | | | | .0 |
| 12. Totals (Lines 9 to 11) | 541,549,836 | 0 | 1,316,372 | 540,233,464 |

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Great Lakes Health Plan, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|--|-------------|--|------------------------|----------------|----------------|---|----------------------------|--------------------------|--------------|---------------------|
| | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefits Plan | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non-Health |
| 1. Payments during the year: | | | | | | | | | | |
| 1.1 Direct | 446,871,992 | | | | | | 834,197 | 446,037,795 | | |
| 1.2 Reinsurance assumed | 0 | | | | | | | | | |
| 1.3 Reinsurance ceded | 2,364,369 | | | | | | | 2,364,369 | | |
| 1.4 Net | 444,507,623 | 0 | 0 | 0 | 0 | 0 | 834,197 | 443,673,426 | 0 | 0 |
| 2. Paid medical incentive pools and bonuses | 0 | | | | | | | | | |
| 3. Claim liability December 31, current year from Part 2A: | | | | | | | | | | |
| 3.1 Direct | 42,314,983 | 0 | 0 | 0 | 0 | 0 | 194,451 | 42,120,532 | 0 | 0 |
| 3.2 Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3.3 Reinsurance ceded | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3.4 Net | 42,314,983 | 0 | 0 | 0 | 0 | 0 | 194,451 | 42,120,532 | 0 | 0 |
| 4. Claim reserve December 31, current year from Part 2D: | | | | | | | | | | |
| 4.1 Direct | 0 | | | | | | | | | |
| 4.2 Reinsurance assumed | 0 | | | | | | | | | |
| 4.3 Reinsurance ceded | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 4.4 Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. Accrued medical incentive pools and bonuses, current year | 856,501 | | | | | | | 856,501 | | |
| 6. Net healthcare receivables (a) | 0 | | | | | | | | | |
| 7. Amounts recoverable from reinsurers December 31, current year | 0 | | | | | | | | | |
| 8. Claim liability December 31, prior year from Part 2A: | | | | | | | | | | |
| 8.1 Direct | 38,672,401 | 0 | 0 | 0 | 0 | 0 | 0 | 38,672,401 | 0 | 0 |
| 8.2 Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8.3 Reinsurance ceded | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8.4 Net | 38,672,401 | 0 | 0 | 0 | 0 | 0 | 0 | 38,672,401 | 0 | 0 |
| 9. Claim reserve December 31, prior year from Part 2D: | | | | | | | | | | |
| 9.1 Direct | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9.2 Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9.3 Reinsurance ceded | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9.4 Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10. Accrued medical incentive pools and bonuses, prior year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11. Amounts recoverable from reinsurers December 31, prior year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12. Incurred Benefits: | | | | | | | | | | |
| 12.1 Direct | 450,514,574 | 0 | 0 | 0 | 0 | 0 | 1,028,648 | 449,485,926 | 0 | 0 |
| 12.2 Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12.3 Reinsurance ceded | 2,364,369 | 0 | 0 | 0 | 0 | 0 | 0 | 2,364,369 | 0 | 0 |
| 12.4 Net | 448,150,205 | 0 | 0 | 0 | 0 | 0 | 1,028,648 | 447,121,557 | 0 | 0 |
| 13. Incurred medical incentive pools and bonuses | 856,501 | 0 | 0 | 0 | 0 | 0 | 0 | 856,501 | 0 | 0 |

(a) Excludes \$ loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|------------|--|------------------------|----------------|----------------|--|-------------------------|-----------------------|-----------------|---------------------|
| | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefits Plan Premium | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non-Health |
| 1. Reported in Process of Adjustment: | | | | | | | | | | |
| 1.1. Direct | 14,897,951 | | | | | | 17,297 | 14,880,654 | | |
| 1.2. Reinsurance assumed | 0 | | | | | | | | | |
| 1.3. Reinsurance ceded | 0 | | | | | | | | | |
| 1.4. Net | 14,897,951 | 0 | 0 | 0 | 0 | 0 | 17,297 | 14,880,654 | 0 | 0 |
| 2. Incurred but Unreported: | | | | | | | | | | |
| 2.1. Direct | 27,417,032 | | | | | | 177,154 | 27,239,878 | | |
| 2.2. Reinsurance assumed | 0 | | | | | | | | | |
| 2.3. Reinsurance ceded | 0 | | | | | | | | | |
| 2.4. Net | 27,417,032 | 0 | 0 | 0 | 0 | 0 | 177,154 | 27,239,878 | 0 | 0 |
| 3. Amounts Withheld from Paid Claims and Capitations: | | | | | | | | | | |
| 3.1. Direct | 0 | | | | | | | | | |
| 3.2. Reinsurance assumed | 0 | | | | | | | | | |
| 3.3. Reinsurance ceded | 0 | | | | | | | | | |
| 3.4. Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. TOTALS: | | | | | | | | | | |
| 4.1. Direct | 42,314,983 | 0 | 0 | 0 | 0 | 0 | 194,451 | 42,120,532 | 0 | 0 |
| 4.2. Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4.3. Reinsurance ceded | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4.4. Net | 42,314,983 | 0 | 0 | 0 | 0 | 0 | 194,451 | 42,120,532 | 0 | 0 |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

| Line of Business | Claims Paid During the Year | | Claim Reserve and Claim Liability Dec. 31 of Current Year | | 5 Claims Incurred in Prior Years (Columns 1 + 3) | 6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year |
|--|--|--|---|--|---|--|
| | 1 On Claims Incurred Prior to January 1 of Current Year | 2 On Claims Incurred During the Year | 3 On Claims Unpaid December 31 of Prior Year | 4 On Claims Incurred During the Year | | |
| 1. Comprehensive (hospital and medical) | | | | |0 |0 |
| 2. Medicare Supplement | | | | |0 |0 |
| 3. Dental Only..... | | | | |0 |0 |
| 4. Vision Only..... | | | | |0 |0 |
| 5. Federal Employees Health Benefits Plan Premiums | | | | |0 |0 |
| 6. Title XVIII - Medicare | |834,198 | |194,451 |0 |0 |
| 7. Title XIX - Medicaid..... |26,377,665 |417,295,761 |78,872 |42,041,660 |26,456,537 |38,672,401 |
| 8. Other health | | | | |0 |0 |
| 9. Health subtotal (Lines 1 to 8)..... |26,377,665 |418,129,959 |78,872 |42,236,111 |26,456,537 |38,672,401 |
| 10. Healthcare receivables (a)..... | | | | |0 | |
| 11. Other non-health..... | | | | |0 |0 |
| 12. Medical incentive pools and bonus amounts | | | |856,501 |0 |0 |
| 13. Totals (Lines 9 - 10 + 11 + 12) |26,377,665 |418,129,959 |78,872 |43,092,612 |26,456,537 |38,672,401 |

(a) Excludes \$loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Medicare

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2004 | 2 2005 | 3 2006 | 4 2007 | 5 2008 |
| 1. Prior | .0 | .0 | .0 | .0 | |
| 2. 2004 | .0 | .0 | .0 | .0 | |
| 3. 2005 | XXX | .0 | .0 | .0 | |
| 4. 2006 | XXX | XXX | .0 | | |
| 5. 2007 | XXX | XXX | XXX | .0 | |
| 6. 2008 | XXX | XXX | XXX | XXX | 834 |

Section B - Incurred Health Claims - Medicare

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|------------------------------------|---|-----------|-----------|-----------|-----------|
| | 1 2004 | 2 2005 | 3 2006 | 4 2007 | 5 2008 |
| 1. Prior | | | | | |
| 2. 2004 | | | | | |
| 3. 2005 | XXX | | | | |
| 4. 2006 | XXX | XXX | | | |
| 5. 2007 | XXX | XXX | XXX | | |
| 6. 2008 | XXX | XXX | XXX | XXX | 1,029 |

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare

| Years in which Premiums were Earned and Claims were Incurred | 1 Premiums Earned | 2 Claims Payments | 3 Claim Adjustment Expense Payments | 4 Col. (3/2) Percent | 5 Claim and Claim Adjustment Expense Payments (Col. 2+3) | 6 Col. (5/1) Percent | 7 Claims Unpaid | 8 Unpaid Claims Adjustment Expenses | 9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8) | 10 Col. (9/1) Percent |
|--|--------------------------|--------------------------|--|--------------------------------|---|--------------------------------|------------------------|--|---|---------------------------------|
| 1. 2004..... | .0 | .0 | | .0 | .0 | .0 | | | .0 | .0 |
| 2. 2005..... | .0 | .0 | | .0 | .0 | .0 | | | .0 | .0 |
| 3. 2006..... | .0 | .0 | | .0 | .0 | .0 | | | .0 | .0 |
| 4. 2007..... | .0 | .0 | | .0 | .0 | .0 | | | .0 | .0 |
| 5. 2008 | 2,069 | 834 | 24 | 2.9 | 858 | 41.5 | 194 | 4 | 1,056 | 51.0 |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2004 | 2 2005 | 3 2006 | 4 2007 | 5 2008 |
| 1. Prior | 457,919 | 457,907 | 457,861 | 457,861 | |
| 2. 2004 | 99,089 | 114,763 | 114,687 | 114,557 | |
| 3. 2005 | XXX | 184,345 | 199,726 | 199,337 | (75) |
| 4. 2006 | XXX | XXX | 206,739 | 224,964 | 97 |
| 5. 2007 | XXX | XXX | XXX | 270,129 | 24,433 |
| 6. 2008 | XXX | XXX | XXX | XXX | 421,583 |

Section B – Incurred Health Claims - Title XIX Medicaid

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|------------------------------------|---|-----------|-----------|-----------|-----------|
| | 1 2004 | 2 2005 | 3 2006 | 4 2007 | 5 2008 |
| 1. Prior | | | | | 457,861 |
| 2. 2004 | | | | | 114,557 |
| 3. 2005 | XXX | | | | 199,262 |
| 4. 2006 | XXX | XXX | | | 225,061 |
| 5. 2007 | XXX | XXX | XXX | | 294,562 |
| 6. 2008 | XXX | XXX | XXX | XXX | 464,560 |

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid

| Years in which Premiums were Earned and Claims were Incurred | 1 Premiums Earned | 2 Claims Payments | 3 Claim Adjustment Expense Payments | 4 Col. (3/2) Percent | 5 Claim and Claim Adjustment Expense Payments (Col. 2+3) | 6 Col. (5/1) Percent | 7 Claims Unpaid | 8 Unpaid Claims Adjustment Expenses | 9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8) | 10 Col. (9/1) Percent |
|--|--------------------------|--------------------------|--|--------------------------------|---|--------------------------------|------------------------|--|---|---------------------------------|
| 1. 2004..... | 197,998 | 0 | | 0.0 | 0 | 0.0 | | | 0 | 0.0 |
| 2. 2005..... | 235,741 | (75) | | 0.0 | (75) | 0.0 | | | (75) | 0.0 |
| 3. 2006..... | 278,749 | 97 | | 0.0 | 97 | 0.0 | | | 97 | 0.0 |
| 4. 2007..... | 441,634 | 24,433 | | 0.0 | 24,433 | 5.5 | | | 24,433 | 5.5 |
| 5. 2008 | 539,481 | 421,583 | 6,335 | 1.5 | 427,918 | 79.3 | 42,977 | 1,000 | 471,895 | 87.5 |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Grand Total

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2004 | 2 2005 | 3 2006 | 4 2007 | 5 2008 |
| 1. Prior | 457,919 | 457,907 | 457,861 | 457,861 | .0 |
| 2. 2004 | 99,089 | 114,763 | 114,687 | 114,557 | .0 |
| 3. 2005 | XXX | 184,345 | 199,726 | 199,337 | (75) |
| 4. 2006 | XXX | XXX | 206,739 | 224,964 | .97 |
| 5. 2007 | XXX | XXX | XXX | 270,129 | .24,433 |
| 6. 2008 | XXX | XXX | XXX | XXX | 422,417 |

Section B - Incurred Health Claims - Grand Total

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|------------------------------------|---|-----------|-----------|-----------|-----------|
| | 1 2004 | 2 2005 | 3 2006 | 4 2007 | 5 2008 |
| 1. Prior | .0 | .0 | .0 | .0 | 457,861 |
| 2. 2004 | .0 | .0 | .0 | .0 | 114,557 |
| 3. 2005 | XXX | .0 | .0 | .0 | 199,262 |
| 4. 2006 | XXX | XXX | .0 | .0 | 225,061 |
| 5. 2007 | XXX | XXX | XXX | .0 | 294,562 |
| 6. 2008 | XXX | XXX | XXX | XXX | 465,589 |

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total

| Years in which Premiums were Earned and Claims were Incurred | 1 Premiums Earned | 2 Claims Payments | 3 Claim Adjustment Expense Payments | 4 Col. (3/2) Percent | 5 Claim and Claim Adjustment Expense Payments (Col. 2+3) | 6 Col. (5/1) Percent | 7 Claims Unpaid | 8 Unpaid Claims Adjustment Expenses | 9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8) | 10 Col. (9/1) Percent |
|--|--------------------------|--------------------------|--|--------------------------------|---|--------------------------------|------------------------|--|---|---------------------------------|
| 1. 2004 | 197,998 | .0 | .0 | .0 .0 | .0 | .0 .0 | .0 | .0 | .0 | .0 .0 |
| 2. 2005 | 235,741 | (75) | .0 | .0 .0 | (75) | .0 .0 | .0 | .0 | (75) | .0 .0 |
| 3. 2006 | 278,749 | .97 | .0 | .0 .0 | .97 | .0 .0 | .0 | .0 | .97 | .0 .0 |
| 4. 2007 | 441,634 | .24,433 | .0 | .0 .0 | .24,433 | .5 .5 | .0 | .0 | .24,433 | .5 .5 |
| 5. 2008 | 541,550 | 422,417 | 6,359 | 1.5 | 428,776 | 79.2 | 43,171 | 1,004 | 472,951 | 87.3 |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|--|-------|--|------------------------|-------------|-------------|--|-------------------------|-----------------------|-------|
| | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Other |
| 1. Unearned premium reserves | .0 | | | | | | | | |
| 2. Additional policy reserves (a) | .0 | | | | | | | | |
| 3. Reserve for future contingent benefits | .0 | | | | | | | | |
| 4. Reserve for rate credits or experience rating refunds (including \$ for investment income) | .0 | | | | | | | | |
| 5. Aggregate write-ins for other policy reserves | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 6. Totals (Gross) | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 7. Reinsurance ceded | .0 | | | | | | | | |
| 8. Totals (Net) (Page 3, Line 4) | .0 | | | .0 | .0 | .0 | .0 | .0 | .0 |
| 9. Present value of amounts not yet due on claims | .0 | | | | | | | | |
| 10. Reserve for future contingent benefits | .0 | | | | | | | | |
| 11. Aggregate write-ins for other claim reserves | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 12. Totals (Gross) | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 13. Reinsurance ceded | .0 | | | | | | | | |
| 14. Totals (Net) (Page 3, Line 7) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| DETAILS OF WRITE-INS | | | | | | | | | |
| 0501. | | | | | | | | | |
| 0502. | | | | | | | | | |
| 0503. | | | | | | | | | |
| 0598. Summary of remaining write-ins for Line 5 from overflow page | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1101. | | | | | | | | | |
| 1102. | | | | | | | | | |
| 1103. | | | | | | | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |

(a) Includes \$ premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

| | Claim Adjustment Expenses | | 3 General Administrative Expenses | 4 Investment Expenses | 5 Total |
|--|--------------------------------------|--|--|-----------------------------|------------|
| | 1 Cost Containment Expenses | 2 Other Claim Adjustment Expenses | | | |
| 1. Rent (\$for occupancy of own building)..... | 190,230 | 71,911 | 805,142 | | 1,067,283 |
| 2. Salaries, wages and other benefits..... | 3,779,473 | 821,427 | 12,719,966 | | 17,320,867 |
| 3. Commissions (less \$ceded plus \$assumed..... | | | | | 0 |
| 4. Legal fees and expenses..... | | | 31,219 | | 31,219 |
| 5. Certifications and accreditation fees..... | | | | | 0 |
| 6. Auditing, actuarial and other consulting services..... | 357,757 | | 1,291,680 | | 1,649,437 |
| 7. Traveling expenses..... | 38,206 | 275 | 270,261 | | 308,742 |
| 8. Marketing and advertising..... | 169,402 | 2,800 | 1,619,353 | | 1,791,555 |
| 9. Postage, express and telephone..... | 102,080 | 32,150 | 1,433,019 | | 1,567,249 |
| 10. Printing and office supplies..... | 3,041 | 1,563 | 0 | | 4,604 |
| 11. Occupancy, depreciation and amortization..... | | | 1,428,019 | | 1,428,019 |
| 12. Equipment..... | 1,869 | 792 | 2,201,968 | | 2,204,628 |
| 13. Cost or depreciation of EDP equipment and software..... | | | 294,557 | | 294,557 |
| 14. Outsourced services including EDP, claims, and other services..... | 113,299 | 355,449 | 2,608,955 | | 3,077,704 |
| 15. Boards, bureaus and association fees..... | 5,619 | | 5,058 | | 10,677 |
| 16. Insurance, except on real estate..... | | | 87,294 | | 87,294 |
| 17. Collection and bank service charges..... | | | 472,954 | | 472,954 |
| 18. Group service and administration fees..... | (25,869) | | 17,016,941 | | 16,991,072 |
| 19. Reimbursements by uninsured plans..... | | | | | 0 |
| 20. Reimbursements from fiscal intermediaries..... | | | | | 0 |
| 21. Real estate expenses..... | | | | | 0 |
| 22. Real estate taxes..... | | | | | 0 |
| 23. Taxes, licenses and fees: | | | | | |
| 23.1 State and local insurance taxes..... | | | 5,097,862 | | 5,097,862 |
| 23.2 State premium taxes..... | 8,430 | 150 | (8,580) | | 0 |
| 23.3 Regulatory authority licenses and fees..... | | | 389,530 | | 389,530 |
| 23.4 Payroll taxes..... | 267,768 | 61,656 | 935,433 | | 1,264,857 |
| 23.5 Other (excluding federal income and real estate taxes)..... | | | | | 0 |
| 24. Investment expenses not included elsewhere..... | (150) | | (119) | 24,362 | 24,093 |
| 25. Aggregate write-ins for expenses..... | 0 | 108,464 | 0 | 0 | 108,464 |
| 26. Total expenses incurred (Lines 1 to 25)..... | 5,011,156 | 1,456,637 | 48,700,511 | 24,362 | 55,192,666 |
| 27. Less expenses unpaid December 31, current year..... | | 1,003,710 | 2,724,713 | | 3,728,423 |
| 28. Add expenses unpaid December 31, prior year..... | 0 | 895,247 | 1,354,930 | 0 | 2,250,177 |
| 29. Amounts receivable relating to uninsured plans, prior year..... | 0 | 0 | 0 | 0 | 0 |
| 30. Amounts receivable relating to uninsured plans, current year..... | | | | | 0 |
| 31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) | 5,011,156 | 1,348,174 | 47,330,728 | 24,362 | 53,714,420 |
| DETAIL OF WRITE-INS | | | | | |
| 2501. Loss Adjustment Expenses..... | 0 | 108,464 | 0 | | 108,464 |
| 2502. | | | | | |
| 2503. | | | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page..... | 0 | 0 | 0 | 0 | 0 |
| 2599. Totals (Line 2501 through 2503 plus 2598)(Line 25 above) | 0 | 108,464 | 0 | 0 | 108,464 |

(a) Includes management fees of \$47,589,381 to affiliates and \$to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

| | | 1 | 2 |
|----------------------|---|--------------------------|-----------------------|
| | | Collected During Year | Earned During Year |
| 1. | U.S. Government bonds | (a) .....78,178 |75,892 |
| 1.1 | Bonds exempt from U.S. tax | (a) ..... | ..... |
| 1.2 | Other bonds (unaffiliated) | (a) .....1,716,269 |1,631,004 |
| 1.3 | Bonds of affiliates | (a) .....0 | ..... |
| 2.1 | Preferred stocks (unaffiliated) | (b) .....0 | ..... |
| 2.11 | Preferred stocks of affiliates | (b) .....0 | ..... |
| 2.2 | Common stocks (unaffiliated) |0 | ..... |
| 2.21 | Common stocks of affiliates |0 | ..... |
| 3. | Mortgage loans | (c) ..... | ..... |
| 4. | Real estate | (d) ..... | ..... |
| 5. | Contract loans..... | ..... | ..... |
| 6. | Cash, cash equivalents and short-term investments | (e) .....1,319,584 |1,319,583 |
| 7. | Derivative instruments | (f) ..... | ..... |
| 8. | Other invested assets ..... | ..... | ..... |
| 9. | Aggregate write-ins for investment income |0 |0 |
| 10. | Total gross investment income | 3,114,031 |3,026,480 |
| 11. | Investment expenses | | (g) .....24,362 |
| 12. | Investment taxes, licenses and fees, excluding federal income taxes | | (g) |
| 13. | Interest expense | | (h) |
| 14. | Depreciation on real estate and other invested assets | | (i) |
| 15. | Aggregate write-ins for deductions from investment income | |0 |
| 16. | Total deductions (Lines 11 through 15) | |24,362 |
| 17. | Net investment income (Line 10 minus Line 16) | | 3,002,118 |
| DETAILS OF WRITE-INS | | | |
| 0901. | ..... | ..... | ..... |
| 0902. | ..... | ..... | ..... |
| 0903. | ..... | ..... | ..... |
| 0998. | Summary of remaining write-ins for Line 9 from overflow page |0 |0 |
| 0999. | Totals (Lines 0901 through 0903) plus 0998 (Line 9, above) | 0 | 0 |
| 1501. | ..... |  |  |
| 1502. | ..... |  |  |
| 1503. | ..... |  |  |
| 1598. | Summary of remaining write-ins for Line 15 from overflow page | |0 |
| 1599. | Totals (Lines 1501 through 1503) plus 1598 (Line 15, above) | | 0 |

(a) Includes \$51,288 accrual of discount less \$233,421 amortization of premium and less \$21,656 paid for accrued interest on purchases.
(b) Includes \$ amortization of premium and less \$0 paid for accrued dividends on purchases.
(c) Includes \$0 accrual of discount less \$0 amortization of premium and less \$ paid for accrued interest on purchases.
(d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
(e) Includes \$30,642 accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
(f) Includes \$ accrual of discount less \$ amortization of premium.
(g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes \$ interest on surplus notes and \$ interest on capital notes.
(i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

| | 1 | 2 | 3 | 4 | 5. |
|----------------------|---|----------------------------------|--|---|---|
| | Realized Gain (Loss) On Sales or Maturity | Other Realized Adjustments | Total Realized Capital Gain (Loss) (Columns 1 + 2) | Change in Unrealized Capital Gain (Loss) | Change in Unrealized Foreign Exchange Capital Gain (Loss) |
| 1. | U.S. Government bonds |61,165 |61,165 | | |
| 1.1 | Bonds exempt from U.S. tax | |0 | | |
| 1.2 | Other bonds (unaffiliated) |120,246 |(191,046) |(70,800) | |
| 1.3 | Bonds of affiliates |0 |0 |0 |0 |
| 2.1 | Preferred stocks (unaffiliated) |0 |0 |0 |0 |
| 2.11 | Preferred stocks of affiliates |0 |0 |0 |0 |
| 2.2 | Common stocks (unaffiliated) |0 |0 |0 |0 |
| 2.21 | Common stocks of affiliates |0 |0 |0 |0 |
| 3. | Mortgage loans |0 |0 |0 |0 |
| 4. | Real estate |0 |0 |0 |0 |
| 5. | Contract loans | |0 | | |
| 6. | Cash, cash equivalents and short-term investments | |0 | | |
| 7. | Derivative instruments | |0 | | |
| 8. | Other invested assets |0 |0 |0 |0 |
| 9. | Aggregate write-ins for capital gains (losses) |0 |0 |0 |0 |
| 10. | Total capital gains (losses) | 181,411 | (191,046) | (9,635) | 0 |
| DETAILS OF WRITE-INS | | | | | |
| 0901. | ..... |  |  |  |  |
| 0902. | ..... |  |  |  |  |
| 0903. | ..... |  |  |  |  |
| 0998. | Summary of remaining write-ins for Line 9 from overflow page |0 |0 |0 |0 |
| 0999. | Totals (Lines 0901 through 0903) plus 0998 (Line 9, above) | 0 | 0 | 0 | 0 |

EXHIBIT OF NONADMITTED ASSETS

| | 1 | 2 | 3 |
|--|--|----------------------------------|--|
| | Current Year Total Nonadmitted Assets | Prior Year Nonadmitted Assets | Change in Total Nonadmitted Assets (Col. 2 - Col. 1) |
| 1. Bonds (Schedule D)..... | 0 | 0 | 0 |
| 2. Stocks (Schedule D): | | | |
| 2.1 Preferred stocks | 0 | 0 | 0 |
| 2.2 Common stocks | 0 | 0 | 0 |
| 3. Mortgage loans on real estate (Schedule B): | | | |
| 3.1 First liens | 0 | 0 | 0 |
| 3.2 Other than first liens | 0 | 0 | 0 |
| 4. Real estate (Schedule A): | | | |
| 4.1 Properties occupied by the company | 0 | 0 | 0 |
| 4.2 Properties held for the production of income..... | 0 | 0 | 0 |
| 4.3 Properties held for sale | 0 | 0 | 0 |
| 5. Cash (Schedule-E Part 1), cash equivalents (Schedule-E Part 2) and short-term investments (Schedule DA)..... | 0 | 0 | 0 |
| 6. Contract loans | 0 | 0 | 0 |
| 7. Other invested assets (Schedule BA) | 0 | 0 | 0 |
| 8. Receivables for securities | 0 | 0 | 0 |
| 9. Aggregate write-ins for invested assets | 0 | 0 | 0 |
| 10. Subtotals, cash and invested assets (Lines 1 to 9) | 0 | 0 | 0 |
| 11. Title plants (for Title insurers only)..... | 0 | 0 | 0 |
| 12. Investment income due and accrued | 0 | 0 | 0 |
| 13. Premiums and considerations: | | | |
| 13.1 Uncollected premiums and agents' balances in the course of collection | 0 | 0 | 0 |
| 13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due..... | 0 | 0 | 0 |
| 13.3 Accrued retrospective premiums..... | 0 | 0 | 0 |
| 14. Reinsurance: | | | |
| 14.1 Amounts recoverable from reinsurers | 0 | 0 | 0 |
| 14.2 Funds held by or deposited with reinsured companies | 0 | 0 | 0 |
| 14.3 Other amounts receivable under reinsurance contracts | 0 | 0 | 0 |
| 15. Amounts receivable relating to uninsured plans | 0 | 0 | 0 |
| 16.1 Current federal and foreign income tax recoverable and interest thereon | 0 | 0 | 0 |
| 16.2 Net deferred tax asset..... | 1,671,828 | 1,812,913 | 141,085 |
| 17. Guaranty funds receivable or on deposit | 0 | 0 | 0 |
| 18. Electronic data processing equipment and software..... | 0 | 0 | 0 |
| 19. Furniture and equipment, including health care delivery assets..... | 19,415 | 91,391 | 71,976 |
| 20. Net adjustment in assets and liabilities due to foreign exchange rates | 0 | 0 | 0 |
| 21. Receivables from parent, subsidiaries and affiliates | 0 | 0 | 0 |
| 22. Health care and other amounts receivable..... | 419,914 | 398,336 | (21,578) |
| 23. Aggregate write-ins for other than invested assets | 6,363,976 | 8,513,546 | 2,149,570 |
| 24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)..... | 8,475,133 | 10,816,186 | 2,341,053 |
| 25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | 0 | 0 | 0 |
| 26. Total (Lines 24 and 25) | 8,475,133 | 10,816,186 | 2,341,053 |
| DETAILS OF WRITE-INS | | | |
| 0901. | | | |
| 0902. | | | |
| 0903. | | | |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | 0 | 0 | 0 |
| 0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above) | 0 | 0 | 0 |
| 2301. Intangible Asset..... | 6,363,976 | 8,513,546 | 2,149,570 |
| 2302. | | | |
| 2303. | | | |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | 0 | 0 | 0 |
| 2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above) | 6,363,976 | 8,513,546 | 2,149,570 |

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

| Source of Enrollment | Total Members at End of | | | | | 6 Current Year Member Months |
|--|-------------------------|--------------------|---------------------|--------------------|-------------------|------------------------------------|
| | 1 Prior Year | 2 First Quarter | 3 Second Quarter | 4 Third Quarter | 5 Current Year | |
| 1. Health Maintenance Organizations..... | 160,502 | 165,094 | 168,394 | 172,062 | 176,055 | 2,031,538 |
| 2. Provider Service Organizations..... | .0 | | | | | |
| 3. Preferred Provider Organizations..... | .0 | | | | | |
| 4. Point of Service..... | .0 | | | | | |
| 5. Indemnity Only..... | .0 | | | | | |
| 6. Aggregate write-ins for other lines of business | 0 | 0 | 0 | 0 | 0 | 0 |
| 7. Total | 160,502 | 165,094 | 168,394 | 172,062 | 176,055 | 2,031,538 |
| DETAILS OF WRITE-INS | | | | | | |
| 0601. | | | | | | |
| 0602. | | | | | | |
| 0603. | | | | | | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page | .0 | .0 | .0 | .0 | .0 | .0 |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) | 0 | 0 | 0 | 0 | 0 | 0 |

NOTES TO FINANCIAL STATEMENTS

(1) Significant Accounting Policies

Organization and Operation - Great Lakes Health Plan, Inc. ("GLHP or the "Company"), was incorporated for the purpose of providing comprehensive health care services on a prepaid basis and establishing and operating a health maintenance organization ("HMO") in Michigan. On July 12, 1996, the Company was issued a HMO license by the State of Michigan. Pursuant to that licensure, the Company is regulated by the Office of Financial and Insurance Services of the State of Michigan ("OFIS"). On February 26, 2004, 100% of the stock of the Company was sold to AmeriChoice Corporation ("AmeriChoice"), a wholly owned subsidiary of UnitedHealthGroup Incorporated ("UHG"). The Company has entered into contracts with physicians, hospitals, and other health care providers pursuant to which such providers deliver medical care to its enrollees primarily on a modified fee-for-service or capitated basis.

Basis of Presentation - The Company prepares its financial statements on the basis of accounting practices prescribed or permitted by OFIS. These practices differ from accounting principles generally accepted in the United States of America ("generally accepted accounting principles") as certain assets, including certain aged premium and health care receivables, are considered nonadmitted assets for statutory purposes and are excluded from the statutory basis statements of admitted assets, liabilities, and capital and surplus and outstanding checks are required to be presented as negative cash in the statutory basis statements of admitted assets, liabilities, and capital and surplus as opposed to being reflected as other liabilities under generally accepted accounting principles.

The change in nonadmitted assets has been reflected in accumulated surplus in the accompanying statutory basis financial statements. Under generally accepted accounting principles, these amounts would be included in total assets on the balance sheet. In addition, certain debt investments that would be shown at market value under generally accepted accounting principles are presented at amortized cost in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus.

The Michigan OFIS recognizes only statutory accounting practices prescribed or permitted by the state of Michigan for determining and reporting the financial condition and results of operations of an HMO and for determining its solvency under Michigan insurance law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual (NAIC SAP) has been adopted with modifications as a component of prescribed or permitted practices by the state of Michigan. No significant differences exist between the statutory practices prescribed or permitted by the state of Michigan and those prescribed or permitted by the NAIC SAP which would materially affect the statutory basis capital and surplus.

Use of Estimates in the Preparation of the Financial Statements - The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. These estimates require the Company to apply complex assumptions and judgments, often because the Company must make estimates about the effects of matters that are inherently uncertain and will change in subsequent periods. The most significant estimates relate to total hospital and medical expenses and claims unpaid. The Company adjusts these estimates each period, as more current information becomes available. The impact of any changes in estimates is included in the determination of income in the period in which the estimate is adjusted. Actual results could differ from those estimates.

Accounting Policies -

Cash, Cash Equivalents and Short-term investments - Cash, cash equivalents, and short-term investments represent cash held by the Company in disbursement accounts, money market instruments, commercial paper, and bonds with a maturity of one year or less at the time of purchase. Claims and other payments are made from the disbursement accounts daily. Cash equivalents are reported at cost or amortized cost depending on the nature of the underlying security, which approximates market value. Cash overdrafts are a result of timing

NOTES TO FINANCIAL STATEMENTS

differences in funding disbursement accounts for claims payments.

Bonds and Short-term Investments — Bonds and short-term investments include money market funds, commercial paper, corporate bonds, government obligations, and municipal securities and are stated at amortized cost if they meet NAIC designation of one or two and are stated at the lower of amortized cost or market value if they meet an NAIC designation of three or higher. Amortization of bond premium or discount is calculated using the constant-yield interest method. Bonds and short-term investments are valued and reported using market prices published by the NAIC Securities Valuation Office (“SVO”) in accordance with the NAIC Valuations of Securities manual prepared by the SVO or external pricing service if NAIC values are not available.

Corporate bonds and government obligations include mortgage-backed securities, which are valued using the retrospective adjustment methodology. Prepayment assumptions for the determination of the amortized cost of mortgage-backed securities are based on a three-month constant prepayment rate history. The Company’s investment policy limits investments in residential mortgage-backed securities, including home equity and subprime mortgages.

The Company continually monitors the difference between the cost and estimated fair value of its invested assets. If any of the Company’s investments experience a decline in value that the Company believes is other than temporary, the Company records a realized loss in net realized capital gains or (losses) less capital gains tax in the statutory basis statement of operations. The new cost basis is not changed for subsequent recoveries in fair value. The prospective adjustment method is utilized for mortgage-backed securities for periods subsequent to the loss recognition. The Company recorded losses of approximately \$191,000 and \$0 during the years ended December 31, 2008 and December 31, 2007.

Property and Equipment - The properties occupied by the Company and the related furniture and equipment, and electronic data processing equipment and software are stated at cost less accumulated depreciation. The Company provides for depreciation using the straight-line method over the estimated useful lives of the assets.

Hospital and Medical Expenses and Claims Unpaid and Aggregate Health Policy Reserves — Hospital and medical expenses and corresponding liabilities are accrued in the period services are provided to the enrolled members based in part on estimates, including an accrual for medical services provided but not yet reported. Such estimates are based on historical payment patterns using actuarial techniques and are regularly reviewed and updated.

The estimates for health care services incurred but not yet reported are developed using actuarial methods based upon historical submission and payment data, cost trends, customer and product mix, seasonality, utilization of health care services, contracted service rates, and other relevant factors. The estimates may change as actuarial methods change or as underlying facts upon which estimates are based change. The Company did not change actuarial methods during the years ended December 31, 2008 and 2007. Management believes the amount of claims unpaid is adequate to cover the Company’s liability for unpaid claims as of December 31, 2008; however, actual claim payments may differ from those established estimates. Adjustments to claims unpaid estimates are reflected in operating results in the period in which the change in estimate is identified.

Premiums — Qualified health plan contracts are entered annually, subject to cancellation by the State of Michigan, Department of Community Health, or the Company upon 90 days written notice on the basis of, and subject to, cause as reflected in the respective contracts. Premiums are due monthly and are recognized as revenue during the period in which the Company is obligated to provide benefits to members. Net premium income is recognized in the period in which enrollees are entitled to receive health care services. Premiums received prior to the period of service are recorded as premiums received in advance in the accompanying

NOTES TO FINANCIAL STATEMENTS

statutory basis statements of admitted assets, liabilities, and capital and surplus.

The Company recorded \$540,233,464 and \$440,431,912 of net premium income during 2008 and 2007 respectively. Net premium income is recognized ratably over the period in which eligible individuals are entitled to receive benefits. The Company records premium payments received in advance of the applicable service period as aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

The Company reported premium income net of Quality Assurance and Accreditation Project (“QAAP”) fees of \$29,671,464 and \$26,466,900 for the years ended December 31, 2008 and 2007, respectively on the Statement of Revenues and Expenses – Statutory basis.

The Company also has an arrangement with CMS for certain Medicare products whereby periodic changes in member risk factor adjustment scores, for certain diagnoses codes, result in changes to its Medicare revenues. The Company recognizes such changes when the amounts become determinable and supportable, and collectability is reasonably assured. The estimated risk adjusted payments due to the Company at December 31, 2008 and 2007 were \$2,254,081 and \$3,369,634, respectively, and are recorded as premium receivables in the statutory statement of admitted assets, liabilities, and capital and surplus.

The Company participates in the Graduate Medical Education and Hospital Risk Adjustment program (“GME.HRA”) with the State of Michigan. The State of Michigan utilizes Michigan Medicaid Managed Care Organizations (“MCO”) to pay the funds to hospitals participating in the program. As an MCO, GLHP receives the program funds and the offsetting distribution requirements with their monthly State remittances. For the years ended December 31, 2008 and 2007, respectively, net premium revenues of \$106,401,972 and \$73,136,355 and medical and hospital costs of \$106,401,972 and \$73,136,355 were recorded by the Company.

Beginning in 2008, the Company participated in the Specialty Network Access Fee program (“SNAF”) with the State of Michigan. As noted above with the GME.HRA program, the State of Michigan utilizes Michigan Medicaid Managed Care Organizations (“MCO”) to pay the funds to hospitals participating in the program. As an MCO, GLHP receives the program funds and the offsetting distribution requirements with their monthly State remittances. For the years ended December 31, 2008 and 2007, respectively, net premium revenues of \$8,873,097 and \$0 and medical and hospital costs of \$8,873,097 and \$0 were recorded by the Company.

Statutory Reserves—As a condition of licensure with the State of Michigan, the Company is required to maintain a minimum deposit of \$1,000,000 in a segregated account. These funds can only be used by the Company at the direction of the Commissioner. The deposited amounts are stated at fair value and consist of cash and money market funds.

Provider Reimbursement Arrangements—The Company reimburses its providers based on contractual agreements that vary in accordance with the terms and conditions of each arrangement. The three most common arrangements are: capitated (fixed) rate paid on a per member per month (“PMPM”) basis; fee-for-service; and per-diem rate. The Company’s various providers are generally paid as follows:

- a. Capitated rate:
 - Primary care providers
 - Pharmacy
 - Laboratory fees
 - Transportation
- b. Fee-for-service:
 - All physician specialists

NOTES TO FINANCIAL STATEMENTS

- Primary care providers
 - Other medical disciplines (e.g., dentistry, chiropractor)
 - Ancillary services
- c. Per-diem rate and percent of charges:
- Inpatient hospital and emergency (facility)

Incentive Pool — The Company has agreements with certain independent physicians and physician network organizations that provide for the establishment of a fund into which the Company places monthly premiums payable for members assigned to the physician. The Company manages the disbursement of funds from this account as well as reviews the utilization of non-primary care medical services of members assigned to the physicians. Any surpluses or deficits in the fund are shared by the Company and the physician based upon predetermined risk-sharing percentages and liability or receivable is included in accrued medical incentive pool and bonus amounts or health care and other receivables in the statutory basis statements of assets, liabilities, and capital and surplus, and the corresponding expense or reduction to expense is included in incentive pool, withhold adjustments, and bonus amounts in the statutory basis statements of operations.

Health Care Receivables — Health care receivables consist primarily of amounts due under state of Michigan programs.

Restricted Cash Reserves — The State of Michigan OFIS requires the Company to maintain a minimum regulatory deposit. This restricted cash reserve consists principally of government obligations and is stated at amortized cost. This reserve is included in bonds in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus. Interest earned on this reserve is accrued by the Company.

Minimum Capital and Surplus — The State of Michigan OFIS requires the Company to maintain a minimum capital and surplus equal to \$1,000,000. The Company has approximately \$49,938,537 in capital and surplus, which is in compliance with the required amount as of December 31, 2008.

Risk-based capital (RBC) is a regulatory tool for measuring the minimum amount of capital appropriate for a managed care organization to support its overall business operations in consideration of its size and risk profile. The Company is in compliance with the required amount as of December 31, 2008.

In January 2009, the NAIC issued SSAP No. 98, *Treatment of Cash Flows When Quantifying Changes in Valuation and Impairments, an, Amendment to SSAP No. 43 —Loan-backed and Structured Securities (SSAP 98)*. SSAP 98 establishes statutory accounting principles for impairment analysis and subsequent valuation of loan-backed and structured securities. This statement is effective for quarterly and annual reporting periods beginning on or after January 1, 2009, with early adoption permitted and encouraged. A change resulting from the adoption of this statement shall be accounted for prospectively. No cumulative effect adjustments or application of the new guidance to prior events or periods are required, similar to a change in accounting estimate. The Company adopted SSAP 98 as of December 31, 2008. The Company has assessed the impact of SSAP 98 on its financial condition, results of operations and cash flows and has determined the result was not material to the statutory basis financial statements.

(2) Accounting Changes and Corrections of Errors

In the first quarter of 2008, the Company discovered an error relating to the amortization of goodwill, resulting in an understatement of 2007 amortization expense of approximately \$998,000. The amount is included in the statutory basis statements of revenue and surplus.

During 2007, an overstatement of prior year income tax recoverable of approximately \$1.7 million was written off to capital and surplus.

NOTES TO FINANCIAL STATEMENTS

(3) Business Combinations and Goodwill

A. - B.

On June 1, 1999, the Company purchased for \$2,880,900 (consisting of cash, short-term debt totaling \$746,000 and long-term debt totaling \$659,900) the assets of the Thumb Area Health Plan ("TAHP"), increasing its Medicaid members by 10,335. In connection with the purchase, the Company recorded a covenant not to compete of \$450,000 and goodwill of \$2,430,900.

On February 26, 2004, AmeriChoice purchased all of the outstanding stock of the Company from HealthCor, Inc. for approximately \$28 million. AmeriChoice is a subsidiary of UnitedHealth Group Incorporated.

On May 1, 2006, the Company entered into an asset purchase agreement with Physicians Health Plan of Southwest Michigan on May 1, 2006. As a result of the agreement, the Company recorded an intangible asset of \$4,000,000 to be amortized over five years. The intangible asset is not admitted. The Company assumed approximately 28,000 Medicaid members who were transferred to the plan on September 1, 2006.

C. The Company did not enter into any assumption reinsurance agreements during 2008 or 2007.

D. The Company did not recognize an impairment loss relating to a business combination during 2008 or 2007.

(4) Discontinued Operations

The Company did not discontinue any operations during 2008 or 2007.

(5) Investments

A. The Company had no investments in mortgage loans in 2008 or 2007.

B. The Company had no restructured debt in 2008 or 2007.

C. The Company had no reverse mortgages in 2008 or 2007.

D. Loan-Backed Securities

i. The Company does not own any securities acquired prior to January 1, 1994.

ii. Prepayment assumptions for loan-backed securities were provided by unaffiliated vendors.

iii. The Company has not changed its amortization methodology during 2008 or 2007.

E. The Company has no repurchase agreements in 2008 or 2007.

F. The Company does not own any real estate.

G. The Company had no investments in low-income housing tax credits in 2008 or 2007.

(6) Joint Ventures, Partnerships and Limited Liability Companies

A. The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

B. The Company did not recognize any impairment write down for investments in Joint Ventures, Partnerships, or Limited Liability Companies during the statement periods.

(7) Investment Income

The Company applied the provisions of SSAP No. 34, Investment Income Due and Accrued and has admitted all investment income due and accrued at December 31, 2008 and 2007.

(8) Derivative Investments

The Company did not hold or issue any derivative financial instruments during 2008 or 2007.

(9) Income Taxes

The Company's operations are included in the consolidated federal income tax return of UnitedHealth Group. Federal income taxes are paid to or refunded by UnitedHealth Group pursuant to the terms of a tax-sharing agreement, approved by the Board of Directors, under which taxes approximate the amount that would have been computed on a separate company basis. Income taxes incurred in the current and prior years will be available for recoupment by the Company only in the event of future net losses of consolidated UnitedHealth Group. The Company receives a benefit at the federal rate in the current year for net losses incurred in that year to the extent

NOTES TO FINANCIAL STATEMENTS

losses can be utilized in the consolidated federal income tax return of UnitedHealth Group. UnitedHealth Group currently files income tax returns in the United States federal jurisdiction, various states, and foreign jurisdictions. The U.S. Internal Revenue Service (IRS) has completed exams on UnitedHealth Group's consolidated income tax returns for fiscal years 2007 and prior. UnitedHealth Group's 2008 tax return is under advance review by the IRS under its Compliance Assurance Program. With the exception of a few states, UnitedHealth Group is no longer subject to income tax examinations prior to 2003 in major state and foreign jurisdictions. The Company does not believe any adjustments that may result from these examinations will be material to the Company.

Federal income taxes payable of 143,101 and federal income taxes payable of 887,876 in 2008 and 2007, respectively, are included in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus.

Federal income taxes paid, net of refunds, in 2008 was 4,438,238 and federal income taxes paid, net of refunds, in 2007 was 1,455,382

A. Components of Deferred Tax Assets (DTAs) and Deferred Tax Liabilities (DTLs)

The components of the net deferred tax assets for the years ended December 31, are as follows:

| Description | 2008 | 2007 |
|--|-------------|-------------|
| Total gross deferred tax assets | \$2,124,137 | \$3,209,940 |
| Total gross deferred tax liabilities | - | (975,553) |
| Net deferred tax asset | 2,124,137 | 2,234,387 |
| Deferred tax assets nonadmitted | (1,671,828) | (1,812,913) |
| Net admitted deferred tax asset | 452,309 | 421,474 |
| Increase (decrease) in nonadmitted deferred tax assets | \$(141,085) | \$ 82,604 |

B. Unrecognized DTLs

There are no unrecognized deferred tax liabilities.

C. Current Tax and Change in Deferred Tax

The current provision for incurred taxes on earnings for the years ended December 31, are as follows:

| Description | 2008 | 2007 |
|--|--------------|--------------|
| Current income tax expense | \$ 3,555,825 | \$ 2,590,095 |
| Tax on capital gains/(losses) | 64,275 | 121 |
| Prior year underaccrual/(overaccrual) | 61,945 | - |
| IRS exam adjustments | (43,498) | (554,671) |
| Other | - | - |
| Total current federal income tax provision | \$ 3,638,547 | \$ 2,035,545 |

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, are as follows:

NOTES TO FINANCIAL STATEMENTS

| Deferred tax assets | 2008 | 2007 | Change |
|---------------------------------|-------------|--------------|--------------|
| Bad debt | \$ - | \$ 77,350 | \$ (77,350) |
| Unpaid losses and CAE | 304,619 | 204,707 | 99,912 |
| Investments | 46,772 | 116 | 46,656 |
| Fixed assets | 79,441 | 77,152 | 2,289 |
| Intangibles | 1,546,335 | - | 1,546,335 |
| Nonadmitted assets | 146,970 | 2,850,615 | (2,703,645) |
| Total deferred tax assets | 2,124,137 | 3,209,940 | (1,085,803) |
| Nonadmitted deferred tax assets | (1,671,828) | (1,812,913) | 141,085 |
| Admitted deferred tax assets | \$452,309 | \$ 1,397,027 | \$ (944,718) |

| Deferred tax liabilities | 2008 | 2007 | Change |
|---------------------------------|------------|------------|-----------|
| Investments | \$ - | \$ (3,231) | \$3,231 |
| Intangibles | - | (972,322) | 972,322 |
| FAS 123R | - | - | - |
| Total deferred tax liabilities | - | (975,553) | 975,553 |
| Net admitted deferred tax asset | \$ 452,309 | \$ 421,474 | \$ 30,835 |

The change in net deferred income taxes for the years ended December 31, comprises the following:

| | 2008 | 2007 |
|--|---------------|--------------|
| Change in deferred tax assets | \$(1,085,803) | \$ 1,302,477 |
| Change in deferred tax liabilities | 975,553 | (1,258,516) |
| Net deferred tax asset/(liability) | (110,250) | 43,961 |
| Less: Change in deferred on unrealized gain/(loss) | - | - |
| Change in net deferred income tax | \$ (110,250) | \$ 43,961 |

D.

Reconciliation of Federal income Tax Rate to Actual Effective Rate

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate of 35% to income before income taxes. The significant items causing this difference are as follows:

| Description | 2008 | | Effective Tax Rate |
|---|-------------|--------------|--------------------|
| | Amount | Tax Effect | |
| Tax provision at the federal statutory rate | \$9,379,473 | \$ 3,282,815 | 35.00% |
| Tax-exempt interest | (754,177) | (263,962) | -2.81% |
| Other current year items | - | - | 0.00% |

NOTES TO FINANCIAL STATEMENTS

| | | | |
|--------------------------------------|---------------------|---------------------|---------------|
| Tax effect of nonadmitted assets | 1,341,310 | 469,458 | 5.01% |
| Prior year true-up | 825,016 | 288,756 | 3.08% |
| Deferred corrections | 43,508 | 15,228 | 0.16% |
| Other - 2003-2005 IRS Exam Adj | (124,280) | (43,498) | -0.46% |
| Other - DESCRIBE | | | 0.00% |
| Other - DESCRIBE | | | 0.00% |
| Total | <u>\$10,710,850</u> | <u>\$ 3,748,797</u> | <u>39.97%</u> |
| Current federal income tax provision | | \$ 3,574,272 | 38.11% |
| Tax on capital gains/(losses) | | 64,275 | 0.69% |
| Change in net deferred income tax | | <u>110,250</u> | <u>1.18%</u> |
| Total statutory income taxes | | <u>\$ 3,748,797</u> | <u>39.97%</u> |

E. At December 31, 2008 the Company had no net operating losses expiring through the year 2028

Income tax expense of 3,620,100 and 2,663,579 for 2008 and 2007, respectively, is available for recoupment in the event of future net losses.

STATEMENT OF CASH FLOWS

Federal income taxes paid 4,338,238

(10) Information Concerning Parent, Subsidiaries and Affiliates

A. – C.

The Company is a wholly owned subsidiary of AmeriChoice Corporation. AmeriChoice Corporation is a majority owned subsidiary of United Health Group Inc. The Company has no subsidiaries.

Effective September 31, 2002, AmeriChoice was acquired by UHG. UHG issued 5.3 million shares of their common stock with a fair value of approximately \$480 million in exchange for 93.5% of the outstanding AmeriChoice common stock. UHG also issued vested stock options with a fair value of approximately \$15 million in exchange for outstanding options held by AmeriChoice employees and paid cash of approximately \$82 million.

Schedule Y Part 2 summarizes the net flow of funds among affiliates for various types of transactions between affiliates. Regulatory prior approval and/or prior notification have been satisfied for any transaction requiring such action. Most transactions are settled promptly in cash or its equivalent, and most are to settle normal business receipts and disbursements. In all instances, the value of the assets received by one party is the same as the value of the assets disposed of by the other party.

D. At December 31, 2008 and December 31, 2007, the Company reported \$0 and \$0, as net admitted amounts due from related parties on line 21 of the Asset page and \$114,250 and \$258,892 as amounts due to related parties on line 15 of the Liabilities page respectively.

NOTES TO FINANCIAL STATEMENTS

E. There were no guarantees or undertakings for the benefit of an affiliate that resulted in a material contingent exposure for the Company or any affiliated insurer's assets or liabilities.

F. Significant management or service contracts and cost sharing arrangements, involving the Company or any affiliate, other than cost allocation arrangements based upon generally accepted accounting principles:

The Company's affiliate, United HealthCare Services, Inc. provides the Company with management assistance services. In all instances, the fees/costs of such services are reasonable and consistent with those of a third party provider. For 2008 and 2007, the costs related to management assistance services were \$47,589,381 and \$41,043,687, respectively.

G. The Company does not have any relationships whereby the Company and one or more other enterprises are under common ownership or control and the existence of that control could result in operating results or financial positions of the Company being significantly different from those that would have been obtained if the enterprises were autonomous.

H. The Company does not have any ownership in an upstream intermediate entity or ultimate parent, either directly or indirectly, via a downstream subsidiary, controlled, or affiliated entity.

I. No investment in an SCA entity exceeded 10% of the admitted assets of the Company.

J. The Company did not recognize any impairment write down for its investments in SCA's during 2008 or 2007.

K. The Company does not have any investments in foreign insurance subsidiaries.

(11)Debt

The Company did not have any outstanding debt at December 31, 2008 or 2007.

(12) Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. The Company did not offer defined benefit plans as of December 31, 2008 or 2007.

B. The Company did not offer defined contribution plans as of December 31, 2008 or 2007.

C. The Company did not offer multiemployer plans as of December 31, 2008 or 2007.

D. The Company did not offer consolidated holding company plans as of December 31, 2008 or 2007.

E. The Company did not offer postemployment benefits and compensated absences as of December 31, 2008 or 2007.

(13) Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

There were no changes in the number of shares of each class of capital stock authorized, issued and outstanding as of December 31, 2008. The Company has no preferred stock outstanding. Thereby, without prior approval of its domiciliary commissioner, dividends to shareholders may be paid only from statutory earnings and capital and surplus. "Extraordinary" dividends to shareholders must be approved by OFIS. No dividends were paid during 2008 and 2007. No restrictions were placed on the portion of Company earnings that may be paid as ordinary dividends to shareholders. The Company's surplus, including for whom the surplus is being held had no limitations. As for mutuals, and similarly organized companies, the total amount of advances to surplus not repaid is not applicable to the Company. There were no amounts of stock held by the Company for special purposes and no special surplus funds. The portion of unassigned funds (surplus) represented or (reduced) by cumulative unrealized gains and losses were \$0 and \$0 at December 31, 2008 and 2007, respectively. The Company did not have any surplus debentures or similar obligations issued or outstanding as of December 31, 2008 or 2007. The Company has not had any restatements due to prior quasi-reorganizations or had any quasi-reorganization in the prior 10 years.

(14) Contingencies

NOTES TO FINANCIAL STATEMENTS

The Company is involved in litigation primarily arising in the normal course of business. Because of the nature of the business, the Company is routinely made party to a variety of legal actions related to the design and management of its service offerings. The Company records liabilities for our estimates of probable costs resulting from these matters. These matters include, but are not limited to, claims relating to health care benefits coverage, medical malpractice actions, contract disputes and claims related to disclosure of certain business practices. Although the outcomes of any such legal actions cannot be predicted, in the opinion of management, the resolution of any currently pending or threatened actions will not have a material adverse effect on the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus or statutory basis statements of operations. The Company believes there are no assets that it considers to be impaired at December 31, 2008 and 2007.

- (15) **Leases**
No change.
- (16) **Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk**
The Company does not have any financial instruments with off-balance sheet risk or concentration of credit risk.
- (17) **Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**
A. The Company did not have any transfers of receivables reported as sales as of December 31, 2008 or 2007.
B. The Company did not have any transfer and servicing of financial assets as of December 31, 2008 or 2007.
C. No transactions involving wash sales or securities with a NAIC designation of 3 or below or unrated securities occurred during the year ended December 31, 2008 or 2007.
- (18) **Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans**
A. ASO Plans
The Company was not involved in any Administrative Services Only (ASO) uninsured plans during 2008.
B. ASC Plans
The Company was not involved in any Administrative Services Contract (ASC) uninsured plans during 2008.
C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts
The Company was not involved in any Medicare or other similarly structured cost based reimbursement contracts during 2008.
- (19) **Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**
The Company had no direct premiums written through managing general agents or third party administrators during 2008 or 2007.
- (20) **Other Items**
A. Extraordinary Items – The Company did not have any extraordinary items or transactions during 2008 or 2007.
B. Troubled Debt Restructuring – The Company did not have any restructured troubled debt during 2008 or 2007.
C. Other Disclosures – The Company did not have any unusual items during 2008 or 2007.
D. Uncollectible Premiums – At December 31, 2008 the Company had admitted assets of \$0 in accounts receivable for A&H premiums and uninsured plans.
E. Business Interruption Insurance Recoveries – The Company did not have any recoveries to report as of December 31, 2008 or 2007.
F. Hybrid Securities – The Company had no investments in hybrid securities in 2008 or 2007.
G. State Transferable Tax Credits – The Company had no state transferable tax credits at December 31, 2008

NOTES TO FINANCIAL STATEMENTS

or 2007.

H. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) – The Company did not offer postretirement benefits as of December 31, 2008 or 2007.

I. Subprime Mortgage Related Risk Exposure

- The UnitedHealth Group investment policy limits investments in Asset Backed Securities, which includes the subprime issuers. Further, the policy limits investments in private-issuer mortgage securities to 10% of the portfolio, which also includes subprime issuers. UnitedHealth Group exposure to unrealized losses on subprime issuers is due only to changes in market prices. There are no realized losses due to not receiving anticipated cashflows. UnitedHealth Group holdings have maintained AAA credit ratings.
- The Company does not have any direct exposure through investments in subprime mortgage loans.
- The Company does not have any direct exposure through other investments.
- The Company does not have any underwriting exposure.

(21) Events Subsequent

Management is not aware of any events occurring between the balance sheet date and the date this statement was attested to that would comprise a Type I or Type II subsequent event or have a material effect on the financial condition of the Company.

(22) Reinsurance

A. Ceded Reinsurance Report

Section I – General Interrogatories

1. Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee, or director of the Company?

Yes () No (X)

2. Have any policies issued by the Company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other persons not primarily engaged in the insurance business? Yes () No (X)

Section 2 – Ceded Reinsurance Report – Part A

1. Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits?

Yes () No (X)

2. Does the Company have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts which, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies? Yes () No (X)

Section 3 – Ceded Reinsurance Report – Part B

1. What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for non-payment of premiums or other similar credits that are reflected in Section 2 above) of termination of all reinsurance agreements, by either party, as of the date of this statement? Where necessary, the Company may consider the current or anticipated experience of the business reinsured in making this estimate \$0.

2. Have any agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts which were in-force or which had existing reserves established by the Company as of the effective date of the agreement? Yes () No (X)

NOTES TO FINANCIAL STATEMENTS

(23) Retrospectively Rated Contracts & Contracts Subject to Redetermination

A. & B. The Company does not issue retrospective rated contracts.

(24) Change in Incurred Claims and Claim Adjustment Expense

| 2008 | | | |
|---------------------------------|--------------|-------------|----------|
| | Current Year | Prior Year | |
| | Incurred | Incurred | |
| | Claims | Claims | Total |
| | | | \$ |
| Beginning of year claim reserve | \$ - | \$ (38,672) | (38,672) |
| Paid claims | 418,130 | 26,378 | 444,508 |
| End of year claim reserve | 43,092 | 79 | 43,171 |

| | | | |
|-----------------|------------|----------|------------|
| | | \$ | |
| Incurred claims | \$ 461,222 | (12,215) | \$ 449,007 |

| 2007 | | | |
|---------------------------------|--------------|-------------|------------|
| | Current Year | Prior Year | |
| | Incurred | Incurred | |
| | Claims | Claims | Total |
| | | | \$ |
| Beginning of year claim reserve | \$ - | \$ (26,582) | (26,582) |
| Paid claims | 334,037 | 21,154 | 355,191 |
| End of year claim reserve | 38,196 | 476 | 38,672 |
| Incurred claims | \$ 372,233 | \$ (4,952) | \$ 367,281 |

The liability for claims unpaid at December 31, 2007, exceeded the actual claims incurred in 2008 related to prior years by approximately \$3.0 million. The primary drivers consist of favorable development as a result of ongoing analysis of loss development trends and changes to the provider settlement reserves.

The Company incurred claims adjustment expenses of approximately \$1,457,000 in 2008 and \$1,373,000 in 2007. These costs are included in the management service fees paid by the Company to UHS as a part of its management agreements (see Note 10). The following tables disclose paid claims adjustment expenses, incurred claims adjustment expenses, and the balance in the unpaid claim adjustment expenses reserve, for the years ended December 31, 2008 and 2007 (in thousands):

2008

2007

NOTES TO FINANCIAL STATEMENTS

| | | |
|---|-----------------|-----------------|
| Total claims adjustment expenses incurred | \$ 1,457 | \$ 1,373 |
| Less current year unpaid claims adjustment expenses | 1,004 | 895 |
| Add prior year unpaid claims adjustment expenses | 895 | 679 |
| Total claims adjustment expenses paid | <u>\$ 1,348</u> | <u>\$ 1,157</u> |

(25) Inter-company Pooling Arrangements

The Company was not a party to any intercompany pooling arrangements whereby the pool participants cede substantially all of their direct and assumed business to the pool and therefore will not affect the solvency and integrity of the insurer's reserves.

(26) Structured Settlements

The Company has not participated in structured settlements in 2008 or 2007.

(27) Health Care Receivables

- A. Pharmaceutical Rebate Receivables – Not applicable
- B. Risk Sharing Receivables – Not applicable

(28) Participating Policies

The Company does not issue any participating policies.

(29) Premium Deficiency Reserves

As of December 31, 2008 and 2007, the Company had no liabilities related to premium deficiency reserves.

(30) Anticipated Salvage and Subrogation

The Company does not anticipate salvage and subrogation recoverables.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ NA ☐
- 1.3

State Regulating?

MI
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒
- 2.2

If yes, date of change:
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2007
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2004
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/07/2006
- 3.4

By what department or departments? State of Michigan Office of Financial and Insurance Services
- 3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes ☒ No ☐ NA ☐
- 3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes ☒ No ☐ NA ☐
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11

sales of new business?

Yes ☐ No ☒
- 4.12

renewals?

Yes ☐ No ☒
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21

sales of new business?

Yes ☐ No ☒
- 4.22

renewals?

Yes ☐ No ☒
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒
- 5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1 Name of Entity | 2 NAIC Company Code | 3 State of Domicile |
|---------------------|------------------------|------------------------|
| | | |
| | | |
| | | |
| | | |

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒
- 7.2

If yes,
- 7.21

State the percentage of foreign control
- 7.22

State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney - in - fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney - in - fact).

| 1 Nationality | 2 Type of Entity |
|------------------|---------------------|
| | |
| | |
| | |
| | |

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [X] No []
- 8.4

If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|------------------|---------------------------|-----|-----|-----|------|-----|
| Affiliate Name | Location (City, State) | FRB | OCC | OTS | FDIC | SEC |
| OptumHealth Bank | Salt Lake City, Utah | | | | Yes | |

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Deloitte & Touche, LLP 1700 Market St, Philadelphia, PA 19105.
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Jed L. Linfield, Director of Actuarial Reserving Services for the entity. 8045 Leesburg Pike, Suite 600, Vienna VA 22182.
- 11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [] No [X]

11.11

Name of real estate holding company

11.12

Number of parcels involved

11.13

Total book/adjusted carrying value

\$
- 11.2

If yes, provide explanation
12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [] No []
- 12.3

Have there been any changes made to any of the trust indentures during the year?

Yes [] No []
- 12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [] No [] NA []
- 13.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes [X] No []

a.

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

b.

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

c.

Compliance with applicable governmental laws, rules and regulations;

d.

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

e.

Accountability for adherence to the code.
- 13.11

If the response to 13.1 is No, please explain:
- 13.2

Has the code of ethics for senior managers been amended?

Yes [] No [X]
- 13.21

If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [] No [X]
- 13.31

If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [X] No []
15.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [X] No []
16.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes [X] No []

GENERAL INTERROGATORIES
FINANCIAL

17.

Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes [] No [X]

18.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11 To directors or other officers

\$

0

18.12 To stockholders not officers

\$

0

18.13 Trustees, supreme or grand (Fraternal only)

\$

0

18.2

Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21 To directors or other officers

\$

0

18.22 To stockholders not officers

\$

0

18.23 Trustees, supreme or grand (Fraternal only)

\$

0

19.1

Were any assets reported in the statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes [] No [X]

19.2

If yes, state the amount thereof at December 31 of the current year:

19.21 Rented from others

\$

19.22 Borrowed from others

\$

19.23 Leased from others

\$

19.24 Other

\$

20.1

Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes [] No [X]

20.2

If answer is yes:

20.21 Amount paid as losses or risk adjustment

\$

20.22 Amount paid as expenses

\$

20.23 Other amounts paid

\$

21.1

Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [] No [X]

21.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$

INVESTMENT

22.1

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3).

Yes [X] No []

22.2

If no, give full and complete information relating thereto:

22.3

For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provide)

22.4

Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes [] No []

22.5

If answer to 22.4 is YES, report amount of collateral

\$

22.6

If answer to 22.4 is NO, report amount of collateral.

\$

23.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3)

Yes [X] No []

23.2

If yes, state the amount thereof at December 31 of the current year:

23.21 Subject to repurchase agreements

\$

23.22 Subject to reverse repurchase agreements

\$

23.23 Subject to dollar repurchase agreements

\$

23.24 Subject to reverse dollar repurchase agreements

\$

23.25 Pledged as collateral

\$

23.26 Placed under option agreements

\$

23.27 Letter stock or securities restricted as to sale

\$

23.28 On deposit with state or other regulatory body

\$

1,115,862

23.29 Other

\$

23.3

For category (23.27) provide the following:

| 1 Nature of Restriction | 2 Description | 3 Amount |
|----------------------------|------------------|-------------|
| | | |
| | | |
| | | |
| | | |

24.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [] No [X]

24.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement.

Yes [] No [] NA [X]

25.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [] No [X]

25.2

If yes, state the amount thereof at December 31 of the current year.

\$

GENERAL INTERROGATORIES

26. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

| <div>1</div> <div>Name of Custodian(s)</div> | <div>2</div> <div>Custodian's Address</div> |
|--|--|
| State Street Bank..... | 801 Pennsylvania, Kansas City, MO 64105..... |

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

| <div>1</div> <div>Name(s)</div> | <div>2</div> <div>Location(s)</div> | <div>2</div> <div>Complete Explanation(s)</div> |
|---------------------------------|-------------------------------------|---|
| | | |
| | | |

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [] No [X]

26.04 If yes, give full and complete information relating thereto:

| <div>1</div> <div>Old Custodian</div> | <div>2</div> <div>New Custodian</div> | <div>3</div> <div>Date of Change</div> | <div>4</div> <div>Reason</div> |
|---------------------------------------|---------------------------------------|--|--------------------------------|
| | | | |

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

| <div>1</div> <div>Central Registration Depository Number(s)</div> | <div>2</div> <div>Name</div> | <div>2</div> <div>Address</div> |
|---|---|--|
| 106595..... | Wellington Management Company, LLP..... | 75 State Street, Boston, MA 02109..... |

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?..... Yes [] No [X]

27.2 If yes, complete the following schedule:

| <div>1</div> <div>CUSIP #</div> | <div>2</div> <div>Name of Mutual Fund</div> | <div>3</div> <div>Book/Adjusted Carrying Value</div> |
|---------------------------------|---|--|
| | | |
| | | |
| 27.2999 TOTAL | | 0 |

27.3 For each mutual fund listed in the table above, complete the following schedule:

| <div>1</div> <div>Name of Mutual Fund (from above table)</div> | <div>2</div> <div>Name of Significant Holding Of the Mutual Fund</div> | <div>3</div> <div>Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding</div> | <div>4</div> <div>Date of Valuation</div> |
|--|--|--|---|
| | | | |
| | | | |

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

| | 1 | 2 | 3 |
|----------------------------|-------------------------------|------------|---|
| | Statement (Admitted) Value | Fair Value | Excess of Statement over Fair Value (-) or Fair Value over Statement (+) |
| 28.1 Bonds..... | 96,215,815 | 95,768,654 | (447,161) |
| 28.2 Preferred stocks..... | 0 | | 0 |
| 28.3 Totals | 96,215,815 | 95,768,654 | (447,161) |

28.4 Describe the sources or methods utilized in determining the fair values:

For those securities that had prices in the NAIC SVO ISIS database, those prices were used; for those securities that did not have prices in the NAIC SVO ISIS database, GAAP pricing was used. GAAP pricing was obtained from HUB which is external data sources vendor.....

29.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []

29.2 If no, list exceptions:

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$

30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

| 1 Name | 2 Amount Paid |
|-----------|------------------|
| | |

31.1 Amount of payments for legal expenses, if any?.....\$17,380

31.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

| 1 Name | 2 Amount Paid |
|------------------------------|------------------|
| MINTZ LEVIN COHN FERRIS..... | 15,292 |

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

| 1 Name | 2 Amount Paid |
|-----------|------------------|
| | |
| | |

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [] No [X]

1.2 If yes, indicate premium earned on U. S. business only

\$0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$.....

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$.....

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$0

1.62 Total incurred claims \$0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned \$0

1.65 Total incurred claims \$0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$0

1.72 Total incurred claims \$0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned \$0

1.75 Total incurred claims \$0

1.76 Number of covered lives 0

2. Health Test:

1

Current Year

2

Prior Year

2.1 Premium Numerator \$540,233,464 \$440,431,912

2.2 Premium Denominator \$540,233,464 \$440,431,912

2.3 Premium Ratio (2.1/2.2)1.0001.000

2.4 Reserve Numerator \$43,171,483 \$38,672,401

2.5 Reserve Denominator \$43,171,484 \$38,672,401

2.6 Reserve Ratio (2.4/2.5)1.0001.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [] No [X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [X] No []

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [] No [X]

5.1 Does the reporting entity have stop-loss reinsurance?

Yes [X] No []

5.2 If no, explain:

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical \$.....

5.32 Medical Only \$.....300,000

5.33 Medicare Supplement \$.....

5.34 Dental and vision..... \$.....

5.35 Other Limited Benefit Plan \$.....

5.36 Other \$.....

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

7.1 Does the reporting entity set up its claim liability for provider services on a service date base?

Yes [X] No []

7.2 If no, give details:

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year5,377

8.2 Number of providers at end of reporting year4,779

9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes [] No [X]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months

9.22 Business with rate guarantees over 36 months

GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract?

Yes [X] No []

10.2 If yes:

10.21 Maximum amount payable bonuses

\$

10.22 Amount actually paid for year bonuses

\$

10.23 Maximum amount payable withholds

\$856,501

10.24 Amount actually paid for year withholds

\$

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes [] No [X]

11.13 An Individual Practice Association (IPA), or,

Yes [] No [X]

11.14 A Mixed Model (combination of above) ?

Yes [] No [X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes [X] No []

11.3 If yes, show the name of the state requiring such net worth.

Michigan

11.4 If yes, show the amount required.

\$15,238,304

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes [] No [X]

11.6 If the amount is calculated, show the calculation.

Authorized Control level RBC

12. List service areas in which reporting entity is licensed to operate:

| 1 |
|----------------------------|
| Name of Service Area |
| Berrien County, MI..... |
| Branch County, MI..... |
| Calhoun County, MI..... |
| Cass County, MI..... |
| Hillsdale County, MI..... |
| Hurron County, MI..... |
| Jackson County, MI..... |
| Kalamazoo County, MI..... |
| Lenawee County, MI..... |
| Livingston County, MI..... |
| Maccomb County, MI..... |
| Oakland County, MI..... |
| Saginaw County, MI..... |
| Sanilac County, MI..... |
| St. Clair County, MI..... |
| St. Joseph County, MI..... |
| Tuscoloa County, MI..... |
| Van Burren County, MI..... |
| Wayne County, MI..... |

FIVE-YEAR HISTORICAL DATA

| | 1 2008 | 2 2007 | 3 2006 | 4 2005 | 5 2004 |
|--|-------------|-------------|-------------|-------------|-------------|
| Balance Sheet (Pages 2 and 3) | | | | | |
| 1. Total admitted assets (Page 2, Line 26) | 97,862,253 | 84,701,494 | 71,333,966 | 52,420,479 | 75,438,353 |
| 2. Total liabilities (Page 3, Line 22) | 47,923,716 | 42,723,268 | 35,958,408 | 20,222,355 | 35,409,883 |
| 3. Statutory surplus | 15,238,304 | 41,978,226 | 17,762,258 | 434,635 | (5,735,019) |
| 4. Total capital and surplus (Page 3, Line 31) | 49,938,537 | 41,978,226 | 35,375,558 | 32,198,124 | 40,028,470 |
| Income Statement (Page 4) | | | | | |
| 5. Total revenues (Line 8) | 510,562,000 | 413,965,012 | 261,943,980 | 235,741,232 | 197,998,066 |
| 6. Total medical and hospital expenses (Line 18) | 449,006,705 | 367,281,129 | 229,458,279 | 198,361,172 | 164,434,699 |
| 7. Claims adjustment expenses (Line 20) | 6,467,793 | 5,927,861 | 5,582,735 | 5,036,990 | 3,861,152 |
| 8. Total administrative expenses (Line 21) | 48,700,511 | 35,408,122 | 27,473,782 | 25,691,235 | 21,672,651 |
| 9. Net underwriting gain (loss) (Line 24) | 6,386,991 | 5,347,900 | (570,815) | 6,651,835 | 8,029,565 |
| 10. Net investment gain (loss) (Line 27) | 2,928,208 | 3,637,618 | 2,976,262 | 1,614,639 | 554,733 |
| 11. Total other income (Lines 28 plus 29) | 0 | 0 | 0 | 0 | 0 |
| 12. Net income (loss) (Line 32) | 5,740,927 | 6,949,976 | 1,391,290 | 5,777,080 | 6,220,299 |
| Cash Flow (Page 6) | | | | | |
| 13. Net cash from operations (Line 11) | 13,041,848 | 15,224,463 | 18,185,429 | 0 | 0 |
| Risk - Based Capital Analysis | | | | | |
| 14. Total adjusted capital | 49,938,537 | 41,978,226 | 35,375,558 | 32,198,124 | 40,028,470 |
| 15. Authorized control level risk-based capital | 15,238,304 | 17,200,054 | 8,881,129 | 7,661,685 | 6,171,848 |
| Enrollment (Exhibit 1) | | | | | |
| 16. Total members at end of period (Column 5, Line 7) | 176,055 | 160,502 | 142,619 | 108,034 | 107,564 |
| 17. Total member months (Column 6, Line 7) | 2,031,538 | 1,852,913 | 1,447,116 | 1,296,040 | 1,205,712 |
| Operating Percentage (Page 4) | | | | | |
| (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0 | | | | | |
| 18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 19. Total hospital and medical plus other non-health (Lines 18 plus 19) | 83.1 | 83.4 | 82.3 | 79.1 | 0.0 |
| 20. Cost containment expenses | 0.9 | 1.0 | 1.4 | 1.4 | xxx |
| 21. Other claims adjustment expenses | 0.3 | 0.3 | 0.6 | 0.6 | 0.7 |
| 22. Total underwriting deductions (Line 23) | 93.3 | 92.8 | 94.2 | 91.3 | 90.3 |
| 23. Total underwriting gain (loss) (Line 24) | 1.2 | 1.2 | (0.2) | 2.7 | 3.8 |
| Unpaid Claims Analysis | | | | | |
| (U&I Exhibit, Part 2B) | | | | | |
| 24. Total claims incurred for prior years (Line 13, Col. 5) | 26,456,537 | 21,630,155 | 15,364,980 | 15,868,742 | 18,584,500 |
| 25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)] | 38,672,401 | 26,581,927 | 19,120,845 | 20,766,800 | 20,331,786 |
| Investments In Parent, Subsidiaries And Affiliates | | | | | |
| 26. Affiliated bonds (Sch. D Summary, Line 25, Col. 1) | 0 | 0 | 0 | 0 | 0 |
| 27. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1) | 0 | 0 | 0 | 0 | 0 |
| 28. Affiliated common stocks (Sch. D Summary, Line 53, Col. 1) | 0 | 0 | 0 | 0 | 0 |
| 29. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 7) | 0 | 0 | 0 | 0 | 0 |
| 30. Affiliated mortgage loans on real estate | 0 | 0 | 0 | 0 | 0 |
| 31. All other affiliated | 0 | 0 | 0 | 0 | 0 |
| 32. Total of above Lines 26 to 31 | 0 | 0 | 0 | 0 | 0 |

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

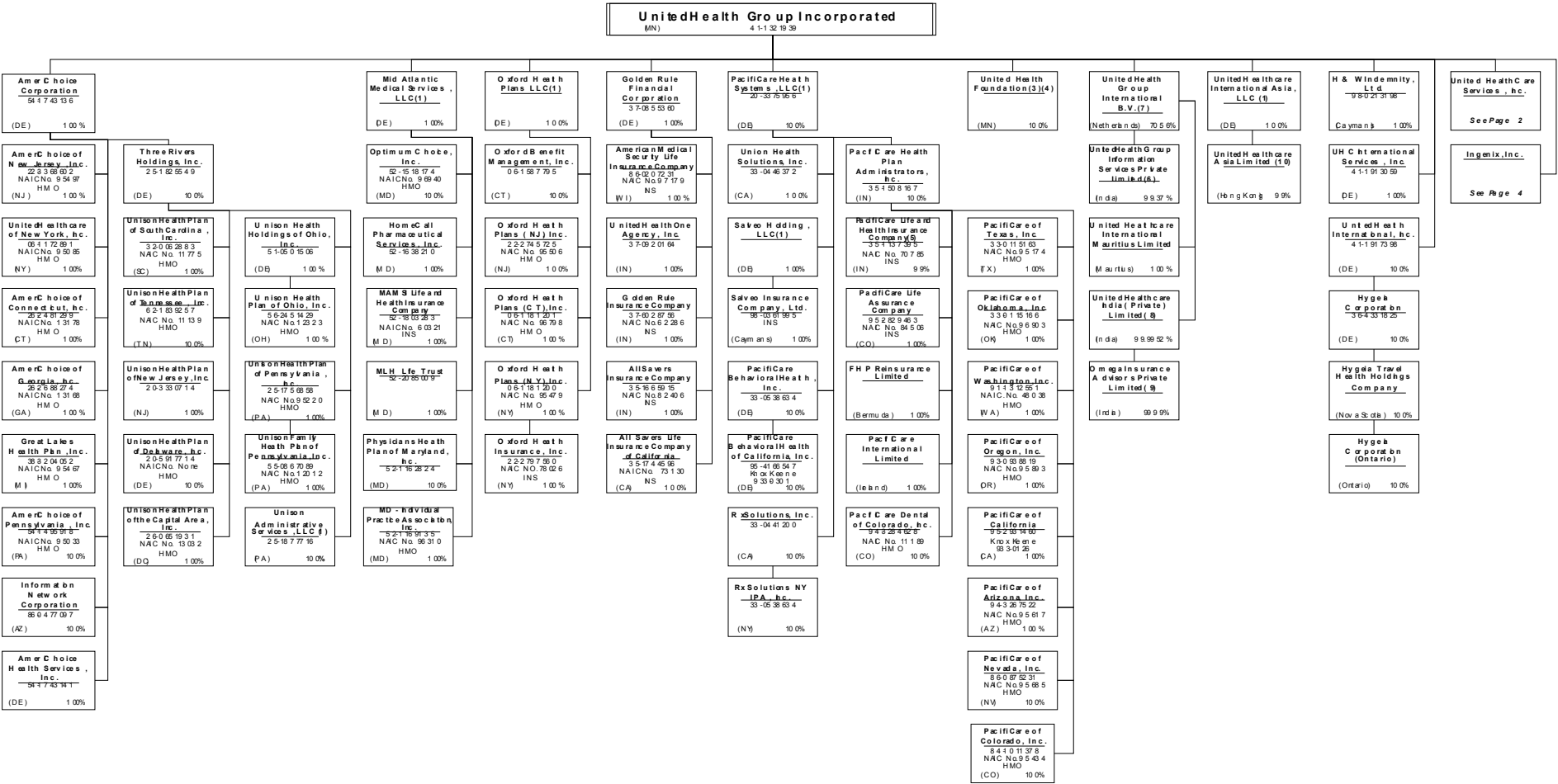
| | | 1 | Direct Business Only | | | | | | | |
|--|-------|---------------|----------------------------|----------------------|--------------------|---|--|-----------------------------|---------------------------|------------------------|
| | | | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| States, Etc. | | Active Status | Accident & Health Premiums | Medicare Title XVIII | Medicaid Title XIX | Federal Employees Health Benefit Program Premiums | Life & Annuity Premiums & Other Considerations | Property/ Casualty Premiums | Total Columns 2 Through 7 | Deposit-Type Contracts |
| 1. Alabama | AL | N | | | | | | | 0 | 0 |
| 2. Alaska | AK | N | | | | | | | 0 | 0 |
| 3. Arizona | AZ | N | | | | | | | 0 | 0 |
| 4. Arkansas | AR | N | | | | | | | 0 | 0 |
| 5. California | CA | N | | | | | | | 0 | 0 |
| 6. Colorado | CO | N | | | | | | | 0 | 0 |
| 7. Connecticut | CT | N | | | | | | | 0 | 0 |
| 8. Delaware | DE | N | | | | | | | 0 | 0 |
| 9. District of Columbia | DC | N | | | | | | | 0 | 0 |
| 10. Florida | FL | N | | | | | | | 0 | 0 |
| 11. Georgia | GA | N | | | | | | | 0 | 0 |
| 12. Hawaii | HI | N | | | | | | | 0 | 0 |
| 13. Idaho | ID | N | | | | | | | 0 | 0 |
| 14. Illinois | IL | N | | | | | | | 0 | 0 |
| 15. Indiana | IN | N | | | | | | | 0 | 0 |
| 16. Iowa | IA | N | | | | | | | 0 | 0 |
| 17. Kansas | KS | N | | | | | | | 0 | 0 |
| 18. Kentucky | KY | N | | | | | | | 0 | 0 |
| 19. Louisiana | LA | N | | | | | | | 0 | 0 |
| 20. Maine | ME | N | | | | | | | 0 | 0 |
| 21. Maryland | MD | N | | | | | | | 0 | 0 |
| 22. Massachusetts | MA | N | | | | | | | 0 | 0 |
| 23. Michigan | MI | L | | 2,068,667 | 539,481,169 | | | | 541,549,836 | 0 |
| 24. Minnesota | MN | N | | | | | | | 0 | 0 |
| 25. Mississippi | MS | N | | | | | | | 0 | 0 |
| 26. Missouri | MO | N | | | | | | | 0 | 0 |
| 27. Montana | MT | N | | | | | | | 0 | 0 |
| 28. Nebraska | NE | N | | | | | | | 0 | 0 |
| 29. Nevada | NV | N | | | | | | | 0 | 0 |
| 30. New Hampshire | NH | N | | | | | | | 0 | 0 |
| 31. New Jersey | NJ | N | | | | | | | 0 | 0 |
| 32. New Mexico | NM | N | | | | | | | 0 | 0 |
| 33. New York | NY | N | | | | | | | 0 | 0 |
| 34. North Carolina | NC | N | | | | | | | 0 | 0 |
| 35. North Dakota | ND | N | | | | | | | 0 | 0 |
| 36. Ohio | OH | N | | | | | | | 0 | 0 |
| 37. Oklahoma | OK | N | | | | | | | 0 | 0 |
| 38. Oregon | OR | N | | | | | | | 0 | 0 |
| 39. Pennsylvania | PA | N | | | | | | | 0 | 0 |
| 40. Rhode Island | RI | N | | | | | | | 0 | 0 |
| 41. South Carolina | SC | N | | | | | | | 0 | 0 |
| 42. South Dakota | SD | N | | | | | | | 0 | 0 |
| 43. Tennessee | TN | N | | | | | | | 0 | 0 |
| 44. Texas | TX | N | | | | | | | 0 | 0 |
| 45. Utah | UT | N | | | | | | | 0 | 0 |
| 46. Vermont | VT | N | | | | | | | 0 | 0 |
| 47. Virginia | VA | N | | | | | | | 0 | 0 |
| 48. Washington | WA | N | | | | | | | 0 | 0 |
| 49. West Virginia | WV | N | | | | | | | 0 | 0 |
| 50. Wisconsin | WI | N | | | | | | | 0 | 0 |
| 51. Wyoming | WY | N | | | | | | | 0 | 0 |
| 52. American Samoa | AS | N | | | | | | | 0 | 0 |
| 53. Guam | GU | N | | | | | | | 0 | 0 |
| 54. Puerto Rico | PR | N | | | | | | | 0 | 0 |
| 55. U.S. Virgin Islands | VI | N | | | | | | | 0 | 0 |
| 56. Northern Mariana Islands | MP | N | | | | | | | 0 | 0 |
| 57. Canada | CN | N | | | | | | | 0 | 0 |
| 58. Aggregate Other Alien | OT | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 59. Subtotal | XXX | | 0 | 2,068,667 | 539,481,169 | 0 | 0 | 0 | 541,549,836 | 0 |
| 60. Reporting entity contributions for Employee Benefit Plans | XXX | | | | | | | | 0 | |
| 61. Total (Direct Business) | (a) 1 | | 0 | 2,068,667 | 539,481,169 | 0 | 0 | 0 | 541,549,836 | 0 |
| DETAILS OF WRITE-INS | | | | | | | | | | |
| 5801. | XXX | | | | | | | | | |
| 5802. | XXX | | | | | | | | | |
| 5803. | XXX | | | | | | | | | |
| 5898. Summary of remaining write-ins for Line 58 from overflow page. | XXX | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above) | XXX | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |

Explanation of basis of allocation by states, premiums by state, etc.

(a) Insert the number of yes responses except for Canada and other Alien.

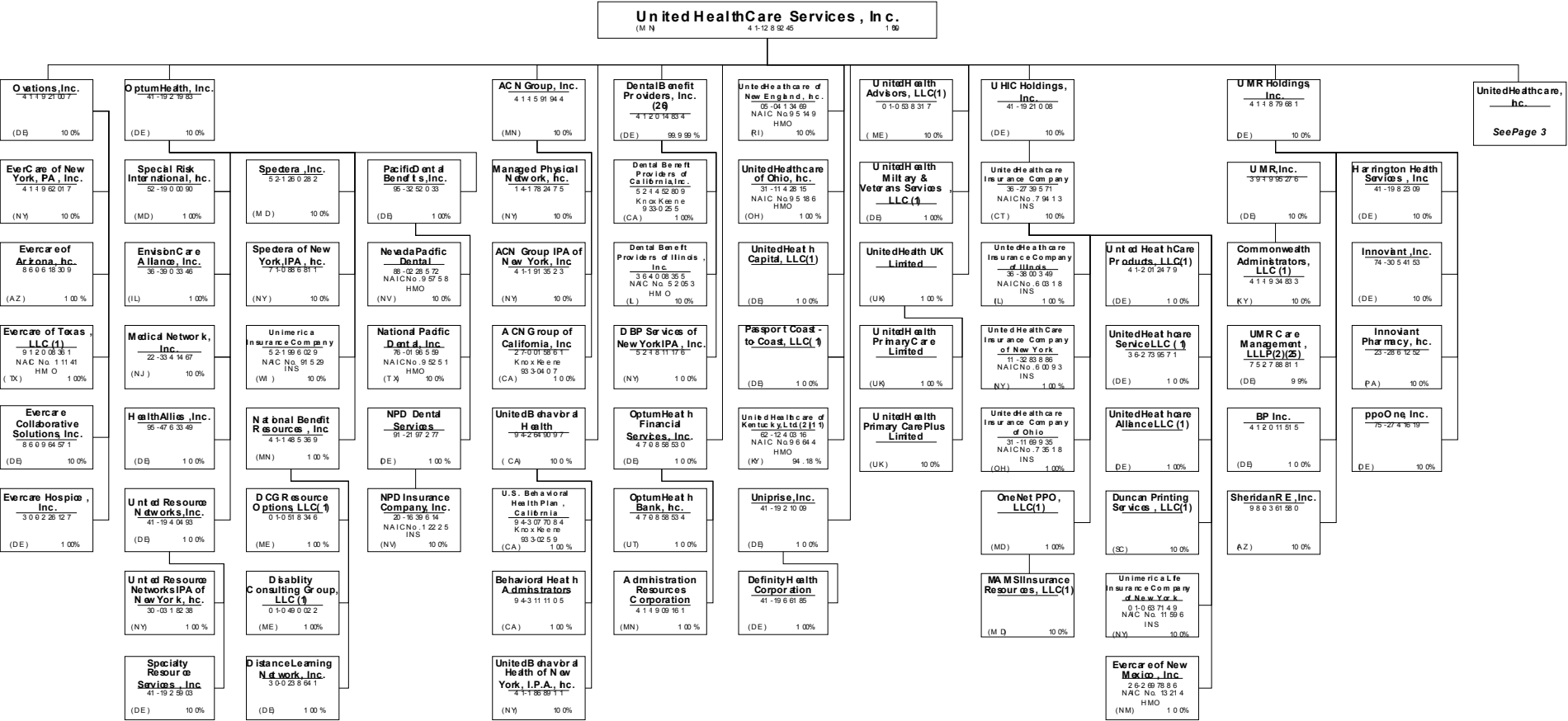
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



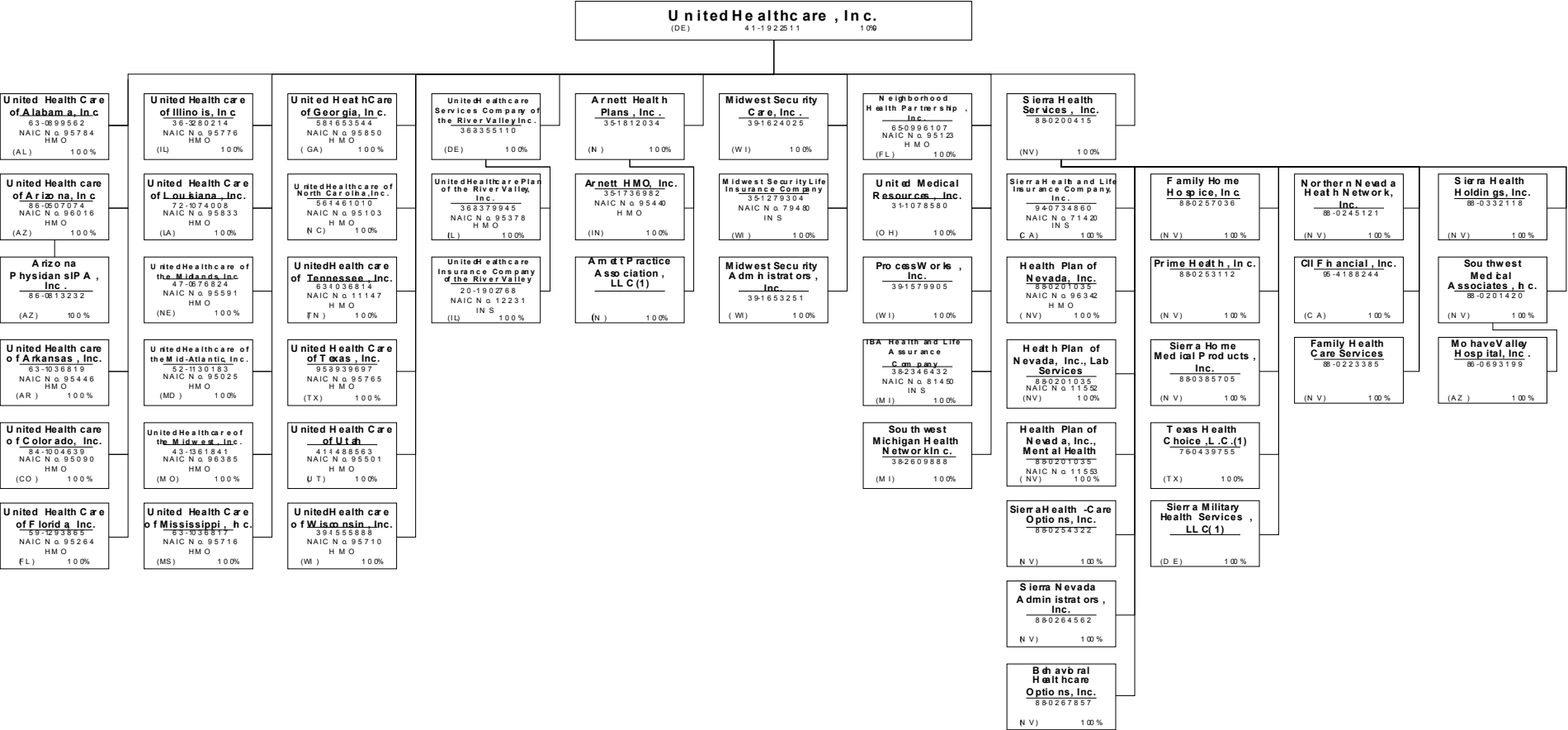
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



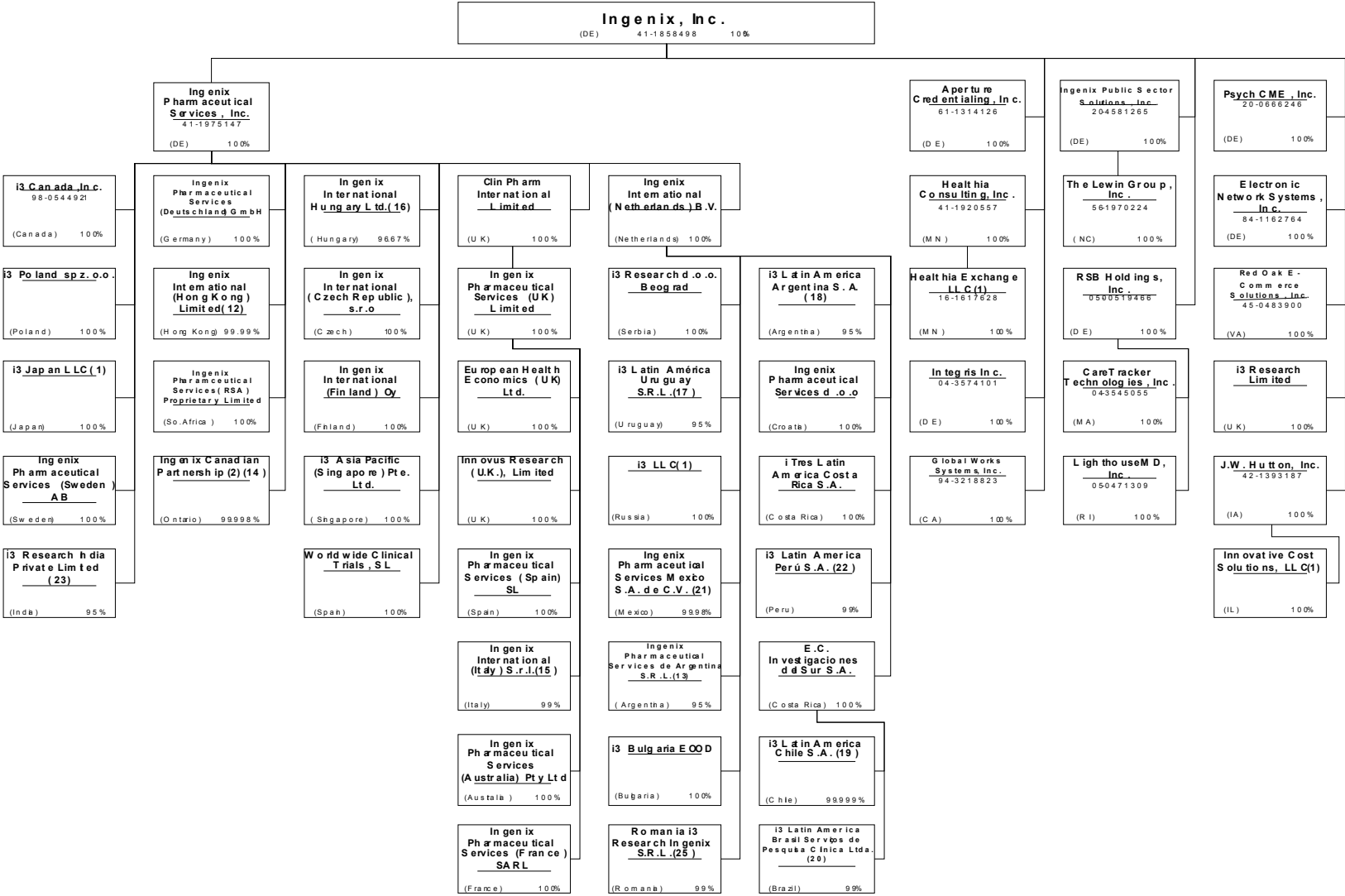
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

Notes

All legal entities on the Organization Chart are Corporations unless otherwise indicated.

(1) Entity is a Limited Liability Company

(2) Entity is a Partnership

(3) Entity is a Non-Profit Corporation

(4) Control of the Foundation is based on sole membership, not the ownership of voting securities

(5) Pacificare Life and Health Insurance Company is 99% owned by Pacificare Health Plan Administrators, Inc. and 1% owned by Pacificare Health Systems, LLC

(6) UnitedHealth Group Information Services Private Limited is 99.37% owned by UnitedHealth Group International B.V.. The remaining 0.63% is owned by UnitedHealth International Inc.

(7) UnitedHealth Group International B.V. is 70.56% owned by UnitedHealth Group Incorporated and 29.44% owned by United Health Care Services, Inc.

(8) United Healthcare India (Private) Limited is 99.9952% owned by UnitedHealth Group International B.V. and 0.0048% owned by UnitedHealth International, Inc.

(9) Omega Insurance Advisors Private Limited is 99.99% owned by United Healthcare India (Private) Limited and 0.01% owned by an individual shareholder

(10) UnitedHealthcare Asia Limited is 99% owned by UnitedHealthcare International Asia, LLC and 1% owned by UnitedHealth International, Inc.

(11) General partnership interests are held by United Healthcare Services, Inc. (89.77%) and by UnitedHealthcare, Inc. (10.23%). United Healthcare Services, Inc. also holds 100% of the limited partnership interests. When combining general and limited partnership interests, United Healthcare Services, Inc. owns 94.18% and UnitedHealthcare, Inc. owns 5.83%.

(12) Ingenix International (Hong Kong) Limited is 99.99% owned by Ingenix Pharmaceutical Services, Inc. and 0.01% owned by Ingenix, Inc.

(13) Ingenix Pharmaceutical Services de Argentina S.R.L. is 95% owned by Ingenix International (Netherlands) B.V. and 5% owned by Ingenix, Inc.

(14) Ingenix Canada Partnership is 99.998% owned by Ingenix Pharmaceutical Services, Inc. and 0.002% owned by Ingenix, Inc.

(15) Ingenix International (Italy) S.r.l. is 99% owned by Ingenix Pharmaceutical Services (UK) Limited and 1% owned by Ingenix Pharmaceutical Services, Inc.

(16) Ingenix International Hungary Ltd. is 96.67% owned by Ingenix Pharmaceutical Services, Inc. and 3.33% owned by Ingenix, Inc.

(17) i3 Latin America Uruguay S.R.L. is 95% owned by Ingenix International (Netherlands) B.V. and 5% owned by Ingenix Pharmaceutical Services, Inc.

(18) i3 Latin America Argentina S.A. is 95% owned by Ingenix International (Netherlands) B.V. and 5% owned by Ingenix Pharmaceutical Services, Inc.

(19) i3 Latin America Chile S.A. is 99.999% owned by E.C. Investigaciones del Sur S.A. and 0.0001% owned by Ingenix Pharmaceutical Services, Inc.

(20) i3 Latin America Brasil Serviços de Pesquisa Clínica Ltda. is 99% owned by E.C. Investigaciones del Sur S.A. and 1% owned by Ingenix Pharmaceutical Services, Inc.

(21) Ingenix Pharmaceutical Services Mexico S.A. de C.V. is 99.98% owned by Ingenix International (Netherlands) B.V. and 2.36% owned by E.C. Investigaciones del Sur S.A.. The remaining 0.02% is owned by i3 Latin America Argentina S.A..

(22) i3 Latin America Perú S.A. is 99% owned by Ingenix International (Netherlands) B.V. and 1% owned by i3 Latin America Argentina S.A.

(23) i3 Research India Private Limited is 95% owned by Ingenix Pharmaceutical Services, Inc. and 5% owned by Ingenix, Inc.

(24) Limited partnership interests held by UMR Holdings, Inc. (99%). General partnership interests held by UMR, Inc. (1%)

(25) Romania i3 Research Ingenix S.R.L. is 99% owned by Ingenix International (Netherlands) B.V. and 1% owned by Ingenix Pharmaceutical Services (UK) Limited

(26) Dental Benefit Providers, Inc. is 99.999% owned by United Healthcare Services, Inc. and 0.001% owned by PacificDental Benefits, Inc.

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(http://www.naic.org/committees_e_app_blanks.htm)

ANNUAL STATEMENT BLANK

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| | |
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